ANNUAL REPORT 1976

INTERNATIONAL MONETARY FUND

ANNUAL REPORT
1976

This page intentionally left blank

INTERNATIONAL MONETARY FUND

ANNUAL REPORT

OF THE

EXECUTIVE DIRECTORS FOR THE FISCAL YEAR ENDED APRIL 30, 1976

WASHINGTON, D.C.

This page intentionally left blank

Contents

	Page
Letter of Transmittal	xi
Chapter 1. DEVELOPMENTS IN THE WORLD ECONOMY	1
General Survey	1
Trends in Output and Prices	3
Overall View	3
Features of the Current Economic Recovery	7
World Trade and Payments	9
Volume of Trade	9
Foreign Trade Prices	9
Current Account Balances	12
Capital Flows, Reserve Changes, and Exchange Rate Movements	15
Policies in the Industrial Countries	17
Economic Setting	17
Adaptations of Policy	17
The Situation of the Primary Producing Countries	19
Major Oil Exporting Countries	19
Non-Oil Developing Countries	20
More Developed Primary Producing Countries	23
Chapter 2. EXCHANGE RATES AND INTERNATIONAL LIQUIDITY	24
A. Developments in Exchange Rate Arrangements	24
Exchange Rate Practices	24
Exchange Rate Developments	25
Day-to-Day and Week-to-Week Fluctuations	27
Short-Term Swings	28
Exchange Trends and Competitiveness	31
B. Developments in International Liquidity	34
Reserve Changes in 1975	34
Factors Affecting the Adequacy of Reserves	39
Chapter 3. ACTIVITIES OF THE FUND	43
Proposed Second Amendment	43
Sixth General Review of Quotas	46
Special Drawing Account	47
Transactions with Designation	48
Transactions by Agreement	48
Transactions and Operations Between Participants and the General Account	48

	Page
Reconstitution	49
BIS as a Holder of SDRs	49
Valuation of SDR, Its Interest Rate, and the Rate of Remuneration	49
Transactions and Operations in the General Account	50
Purchases in the Tranches	50
Buffer Stock Facility	52
Extended Fund Facility	52
Compensatory Financing of Export Fluctuations	52
Repurchases	53
Oil Facility and Fund Borrowing	53
Interest Payments on Oil Facility Borrowings	54
Gold Sales	54
Use of Currencies in Fund Transactions	56
Charges, Interest, and Remuneration	57
The Subsidy Account	58
The Trust Fund	60
Consultations with Member Countries	61
Training and Technical Assistance	61
Relations with Other International Organizations	62
Membership, Quotas, and Participation in the Special Drawing Account	64
Executive Directors and Staff	64

Appendices ... 65

I. The Fund in 1975/76 ... 69
II. Principal Policy Decisions of the Executive Board and Report to the Board of Governors ... 96
III. Press Communiqués of the Interim Committee and the Development Committee ... 119
IV. Executive Directors and Voting Power ... 128
V. Changes in Membership of Executive Board ... 131
VI. Administrative Budget ... 134
VII. Comparative Statement of Income and Expenses ... 136
VIII. Financial Statements ... 137

Index ... 155

LIST OF TABLES

Chapter 1. DEVELOPMENTS IN THE WORLD ECONOMY

1. Growth of World Output, 1960–75 ... 5
2. Price Increases in Developed Countries, 1960–75 ... 6
3. Price Increases in Developing Countries, 1965–75 ... 7
4. World Trade Summary, 1960–75 ... 10
5. Terms of Trade Developments, 1960–75 ... 12
6. Global Balance of Payments Summary, 1973–75 ... 13
7. Industrial Countries: Balance of Payments Summaries, 1973–75 ... 14
8. Summary of Payments Balances on Current Account ... 15
9. Non-Oil Developing Countries: Financing of Current Account Deficits, 1968–75 ... 20

Page

Chapter 2. EXCHANGE RATES AND INTERNATIONAL LIQUIDITY
10. Average Weekly Changes in Selected Effective Exchange Rates, Third Quarter 1973–Second Quarter 1976 27
11. Official Reserves, End of Years 1955–75 and End of April 1976 ... 34
12. Distribution of Reserves, End of Years 1950, 1960, and 1970–75 and End of April 1976 35
13. Composition of Reserve Change, 1969–75 36
14. Composition of Reserve Change by Area, 1975 38
15. Official Holdings of Foreign Exchange, by Type of Claim, End of Years, 1969–75 38
16. Ratios of Reserves to Imports, 1966–75 40

Chapter 3. ACTIVITIES OF THE FUND
17. Use and Receipt of SDRs in Transactions with Designation, Fiscal Year Ended April 30, 1976 48
18. Use and Receipt of SDRs in Transactions by Agreement, Fiscal Year Ended April 30, 1976 48
19. Acquisitions of SDRs for Reconstitution from the Fund's General Account, January 1, 1972–April 30, 1976 49
20. Changes in Members' Super Gold Tranche, April 30, 1975–April 30, 1976 56
21. Subsidy Account: Total Use of 1975 Oil Facility by Most Seriously Affected Members and Subsidy Paid for the Year Ended April 30, 1976 59
22. Subsidy Account: Contributions 59

LIST OF CHARTS

Chapter 1. DEVELOPMENTS IN THE WORLD ECONOMY
1. Semiannual Changes in Output and Prices in Industrial Countries, First Half 1973–First Half 1976 4
2. Industrial Countries: Changes in Import Volume and Export Prices, 1974–March 1976 11
3. Major Oil Exporters: Changes in Trade with Industrial Countries, First Half 1974–First Half 1976 11
4. Non-Oil Primary Producing Countries: Changes in Trade with Industrial Countries, First Half 1974–First Half 1976 12
5. Indices of Prices of Commodities Exported by Primary Producing Countries, 1971–June 1976 12
6. Major Industrial Countries: Selected Short-Term Interest Rates, January 1974–June 1976 18
7. Non-Oil Developing Countries: Debt and Debt Service Ratios, 1968–76 22

Chapter 2. EXCHANGE RATES AND INTERNATIONAL LIQUIDITY
8. Exchange Rates Against the U.S. Dollar, January 1974–June 1976.. 26
9. Interest Rate Differential and Exchange Rate: The Federal Republic of Germany and the United States, January 1974–June 1976 29
10. Indices of Effective Exchange Rates of Major Industrial Countries, January 1974–April 1976 30
11. Effective Exchange Rates and Relative Prices, First Quarter 1973–Second Quarter 1976 33

Page

12. Level and Composition of Reserves, End of Period, 1964–March 1976 37

Chapter 3. ACTIVITIES OF THE FUND

13. Purchases Outstanding, April 30, 1966–76 51
14. Average Annual Rates of Charges on Balances in Excess of Quota, July 1974–April 1976 57

The following symbols have been used throughout this Report:

(. . .) indicate that data are not available;

(—) indicates that the figure is zero or less than half the final digit shown, or that the item does not exist;

(–) is used between years or months (e.g., 1970–76 or January–June) to indicate the years or months covered, including the beginning and ending years or months;

(/) is used between years (e.g., 1975/76) to indicate a fiscal year.

"Billion" means a thousand million.

Minor discrepancies between constituent figures and totals are due to rounding.

The classification of countries employed in the Report is indicated in Table 1 on page 5.

International Monetary Fund

H. Johannes Witteveen
Managing Director and Chairman of the Executive Board

William B. Dale
Deputy Managing Director

Executive Directors	Alternate Executive Directors
Sam Y. Cross	Thomas Leddy
William S. Ryrie	P. H. Kent
Eckard Pieske	Gerhard Laske
Jacques Henri Wahl	Jean Foglizzo
Kaichi Kawaguchi	Rei Masunaga
Lamberto Dini	Eduardo O. de Toledo
Bernard J. Drabble	Donal Lynch
Pieter Lieftinck	Tom de Vries
Nazih Deif	Mohamed Finaish
S. Jagannathan	Warnasena Rasaputram
Jacques de Groote	Heinrich G. Schneider
Per Åsbrink	Jørn H. Kjaer
Byanti Kharmawan	Sein Maung
R. J. Whitelaw	R. S. Deane
Horace R. Monday, Jr.	
Francisco Suárez	Roberto Guarnieri
Alexandre Kafka	Winston Temple-Seminario
Jahangir Amuzegar	Costa P. Caranicas
Dante Simone	Santiago Sevilla
Antoine W. Yaméogo	Samuel Nana-Sinkam

Senior Officers

The General Counsel	Joseph Gold
The Economic Counsellor	J. J. Polak
Administration Department	Phillip Thorson, *Director*
African Department	Mamoudou Touré, *Director*
Asian Department	Tun Thin, *Director*
Central Banking Service	J. V. Mládek, *Director*
European Department	L. A. Whittome, *Director*
Exchange and Trade Relations Department	Ernest Sturc, *Director*
Fiscal Affairs Department	Richard Goode, *Director*
IMF Institute	Gérard M. Teyssier, *Director*
Legal Department	Joseph Gold, *Director*
Middle Eastern Department	John W. Gunter, *Acting Director*
Research Department	J. J. Polak, *Director*
Secretary's Department	W. Lawrence Hebbard, *Secretary*
Treasurer's Department	Walter O. Habermeier, *Treasurer*
Western Hemisphere Department	Jorge Del Canto, *Director*
Bureau of Language Services	J. S. Haszard, *Director*
Bureau of Statistics	Earl Hicks, *Director*
Office in Europe (Paris)	Leo Van Houtven, *Director*
Office in Geneva	Edgar Jones, *Director*
Information Office	Jay H. Reid, *Director*
Chief Editor	Norman K. Humphreys

August 6, 1976

This page intentionally left blank

LETTER OF TRANSMITTAL
TO THE BOARD OF GOVERNORS

August 6, 1976

Dear Mr. Chairman:

In accordance with Section 10 of the By-Laws of the International Monetary Fund, I have the honor to present to the Board of Governors the Annual Report of the Executive Directors for the fiscal year ended April 30, 1976.

Yours sincerely,

/s/

H. JOHANNES WITTEVEEN

Chairman of the Executive Board

Chairman of the Board of Governors

International Monetary Fund

This page intentionally left blank

Chapter 1
Developments in the World Economy

General Survey

At mid-1976, the world economy was completing the first year of recovery from its most severe recession in four decades. Production in the industrial countries was again expanding at a satisfactory pace, and rates of inflation were considerably below those experienced in 1974 and the first half of 1975. By past standards, however, both unemployment and inflation remained exceptionally high for the early phase of a cyclical upswing. Although demand and output were not rising fast enough to reduce unemployment and excess industrial capacity over the short term to levels considered acceptable by the authorities of most countries, the expansion was sufficiently brisk to arouse widespread concern about the risk of renewed acceleration of price increases.

Cautious management of aggregate demand was thus essential for the purpose of bringing down inflation and eliminating inflationary expectations. A number of the major industrial countries were in the process of withdrawing some part of the fiscal stimulus that had been applied during 1975 to combat the recession. Similarly, monetary authorities in those countries were shifting toward somewhat more restrained provision of liquidity to their respective banking systems. Rates of monetary expansion in the industrial countries at mid-1976 were distinctly lower than those during the comparable phase of the 1971–73 cycle in real terms—that is, after allowance for the prevailing higher level of price increases. Nevertheless, the circumstances called for avoidance of steps that would generate adverse effects on the unemployment front, and there was an apparently widespread recognition that the required policy course of restoring a reasonable degree of price stability over the medium term would have to be gradual but firm. Obviously, the task faced by national authorities in formulating policy is exceedingly difficult.

Both the inflation and the recession generated by cyclical developments in the industrial countries have had sharp repercussions on world trade. Primarily through the medium of changes in trade and in associated financial flows, the impact of the recession, like that of the preceding boom and inflation, has radiated outward to nonindustrial countries throughout the world. The adjustments of the primary producing countries to these developments have been difficult and, in many cases, less than fully successful.

The total volume of world trade declined by some 4–5 per cent from 1974 to 1975, chiefly in reaction to the deepening and spreading of the international recession during the latter part of 1974 and the first half of 1975. Since about the middle of 1975, the direction of movement has been reversed by the cyclical recovery of import demand in the industrial countries. World trade volume rose at an annual rate of about 10 per cent in the first half of 1976, and the prices of many internationally traded commodities firmed noticeably during this period.

The recent restoration of buoyancy to both the volume and the prices of primary commodities is bringing a renewal of growth in export earnings of primary producing countries—shared by the oil exporters, the non-oil developing countries, and the more developed countries of the primary producing group. Except for imports of the oil exporting countries, which were relatively unaffected by the substantial decline in oil export earnings from 1974 to 1975, imports of the primary producing countries are lagging behind their exports in the current upturn, as is usually the case at this stage of a cyclical recovery. Both the non-oil developing countries and the more developed primary producing countries borrowed heavily abroad during 1974 and 1975, and reduced their reserves in 1975, in efforts to sustain import volume during a period of rising costs of manufactured goods, sharply increased oil and food prices, and weakness in export markets. By 1975, the volume of imports into both groups of non-oil primary producing countries was shrinking under the pressure of external financial strains and of restraints on domestic demand for the purpose of curbing price increases and protecting balance of payments positions. Through at least the first half of 1976, these pressures and restraints prevented imports from turning upward in full parallel with the recovery of export earnings. Moderate reductions of the huge current account deficits of the past two years—which in 1975 had reached $37 billion for the non-oil developing countries and $14 billion for the more developed primary producing countries—thus appeared to be in process, serving to ease somewhat the problems of external financing.

Among primary producing countries, the oil exporters occupied a unique position with respect to external balances in 1975. Although their export earnings were considerably reduced by the recession (as well as by oil conservation measures in the importing countries and consumer reactions to the oil price increase of 1974), most of them were under little or no external pressure to restrain imports, which continued to rise at an extraordinary pace during much of the year. The result was a sharp reduction in the current account surplus of the major oil exporting countries, from $67 billion in 1974 to an estimated $35 billion in 1975. However, some rise in this surplus appeared to be taking place in the first half of 1976 under the impetus of the cyclical recovery in world demand for oil.

The impact of the international recession on the nonindustrial world extended beyond external trade and financial flows to domestic economic activity. Expansion of production and incomes was markedly retarded both by primary effects on exporting industries and by secondary effects on domestic demand. In many cases, the impact of foreign exchange constraints upon the capacity to import was also a significant dampening factor. On the whole, however, the slowdown of growth in real output during 1975 was considerably more moderate in the primary producing countries than in the industrial world. Whereas the aggregate real gross national product (GNP) of the industrial countries declined by about 1½ per cent in 1975, after ceasing to expand in 1974, the primary producing countries maintained a rate of increase in real output estimated at 5½ per cent for 1974 and 3½ per cent for 1975. Before the downturn, the respective rates of growth in 1973 had averaged about 6 per cent for the industrial countries and 7 per cent for the primary producing countries.[1]

In the global pattern of current account balances, the principal counterpart of the large downward shift in the surplus of the oil exporting countries from 1974 to 1975 was to be found in the accounts of the industrial countries. The combined current account balance of the latter showed a positive swing of $29 billion, from a sizable deficit in 1974 to a surplus of about $19 billion in 1975. This unusually large swing reflected cyclical shifts (owing mainly to reduced imports) in balances with every major group of nonindustrial countries, plus the ability of the industrial countries to supply most of the goods and services involved in the extraordinary expansion of imports by the oil exporting countries.

The 1975 current account surplus of the industrial countries was quite unevenly distributed among individual countries in the group, with two of the largest countries—the United States and the Federal Republic of Germany—more than accounting for the total, while several others, including Canada and the United Kingdom, had sizable deficits. For the most part, however, current account imbalances were roughly matched by compensating net flows of capital (including official transfers), so that pressures on exchange rates or exchange reserves that might otherwise have resulted were largely absent. Exceptions included France (where capital inflows combined with a moderate current account surplus in 1975 to produce sizable reserve gains and a substantial appreciation of the effective exchange rate) and Italy (where official transfers and sizable net outflows of capital, including repayments of compensatory foreign borrowing and an improvement in the net foreign position of Italian commercial banks, exceeded the current account surplus by a wide margin and brought a substantial impairment of the net reserve position), as well as the United Kingdom (where capital inflows in 1975, although virtually sufficient to finance the current account deficit, included substantial amounts of official or officially induced external borrowing, and where the effective exchange rate depreciated).

Early in 1976, the weakness of the Italian and U.K. balance of payments positions, associated with high rates of domestic inflation, became more directly visible. Sharp downward movements of both the lira and the pound under intensified market pressure dominated exchange rate developments during the first half of the year, and the French franc also weakened somewhat in that period. The counterpart of these developments was a substantial appreciation of other major currencies, combined with reserve increases in some cases.

In addition to the broader changes in average exchange rate relationships sketched above, the period since early 1975 has witnessed—apart from day-to-day and week-to-week fluctuations—a number of shorter-term movements of a few months duration. The more notable of these movements, as well as the major shifts of a less transitory character, are discussed in Chapter 2, where one of the points emphasized is the degree to which exchange rate changes have become a more

[1] Each of these rates was about 1 percentage point above the corresponding average for the dozen preceding years.

important means of balance of payments adjustment since the widespread adoption of floating in early 1973. In a situation characterized by increasing diversity in Fund members' exchange arrangements, even countries that have attempted through large-scale use of reserves to regulate the levels of the exchange rates for their currencies have at times been forced—or have found it expedient—to allow their rates to change quite substantially.

While exchange rate movements are obviously subject to a wide variety of influences and quarter-to-quarter changes are only loosely associated with concurrent changes in relative prices, the experience of the past three years has shown a strong correlation between relative price movements and changes in exchange rates. Trends of most countries' exchange rates over the floating period as a whole have been broadly commensurate with major differences in rates of domestic inflation.

Financing requirements associated with the widening of current account deficits in recent years have brought greatly increased reliance by member countries upon the Fund's resources. Members' purchases amounted to a record SDR 4.7 billion during the calendar year 1975 and came to more than SDR 4.9 billion in the first half of 1976 alone. Furthermore, the Fund's capacity to serve members' needs, and to perform its role in the functioning of the international monetary system, was augmented in the past year by a variety of actions.

Substantial work was completed on a number of matters that have been under discussion for some time, and various initiatives to deal with new situations were undertaken. Among the projects completed, as described in Chapter 3, several may be singled out for emphasis here. One was the approval by the Board of Governors of a Proposed Second Amendment of the Fund's Articles of Agreement. This comprehensive Amendment, when accepted by the necessary majority of members (three fifths of the number of members, having four fifths of the total voting power) will go a long way toward adapting the Fund and its operations to present-day conditions. Provision is made for great flexibility in members' choices of exchange rate arrangements, subject at all times to certain general obligations and to firm surveillance by the Fund. A reduction in the role of gold, changes in the characteristics of the special drawing right (SDR) so as to enhance its role, simplification and expansion of the types of financial transactions that can be conducted in the Fund's general operations, and the possible establishment of a permanent Council as a new decision-making organ of the Fund are among the other provisions of the pending Amendment.

Another of the projects completed in the past year was the Sixth General Review of Quotas, which, after it becomes effective, will increase substantially the access of member countries to the Fund's resources. The scope for helping members was also expanded by a temporary enlargement, pending adoption of the Second Amendment, of 45 per cent in the size of each credit tranche, as well as by modification and liberalization of the compensatory financing facility to permit greater assistance to members encountering balance of payments difficulties occasioned by temporary shortfalls in export earnings. The temporary oil facility set up in 1974 to assist members to meet the impact on their balances of payments of increases in the prices of petroleum and petroleum products was terminated in early 1976, but contributed greatly to the availability of Fund credit throughout the preceding year.

Also, further assistance of special types is now to be provided through two new accounts which the Fund administers. The Trust Fund and the Subsidy Account have both been established to provide financial assistance to developing countries on concessionary terms. The Trust Fund is expected to receive its resources principally from profits on sales of one sixth of the Fund's gold through public auctions, while the Subsidy Account utilizes cash contributions received from member countries to subsidize the interest cost, for the most seriously affected developing countries, of using the 1975 oil facility.

These various actions have been broadly in conformity with the judgment expressed in last year's Annual Report that the Fund's most suitable contribution to the maintenance of international reserve adequacy would lie in the provision of conditional liquidity. As noted in Chapter 2 of this Report, the international community will keep under close scrutiny the Fund's ability to fulfill its objectives. In this context, the Report observes that the Seventh General Review of Quotas—to be concluded by February 1978—will provide a timely opportunity for detailed reassessment of the Fund's capacity to continue playing its central role of providing balance of payments financing where needed and encouraging all members to follow appropriate adjustment policies.

Trends in Output and Prices

Overall View

Resumption of economic expansion throughout the industrial world has become progressively more apparent during the past year. The deep and prolonged international recession that started late in 1973 reached its low point in the first half of 1975, when real GNP in the industrial countries declined at an average annual rate of 4½ per cent. In that period—the third consecutive half year of negative growth for these countries as a group—rates of decline in the range of 5½–7 per cent were registered by all the major industrial countries except Canada and Japan, and Japan was the only one of these large countries whose real economic activity showed any expansion at all. (See Chart 1.) However, an upturn in the second half of 1975—common in varying degrees to almost all the major industrial countries—held the average rate of decrease for the full calendar year (in comparison with 1974) to about 1½ per cent. (See Table 1.)

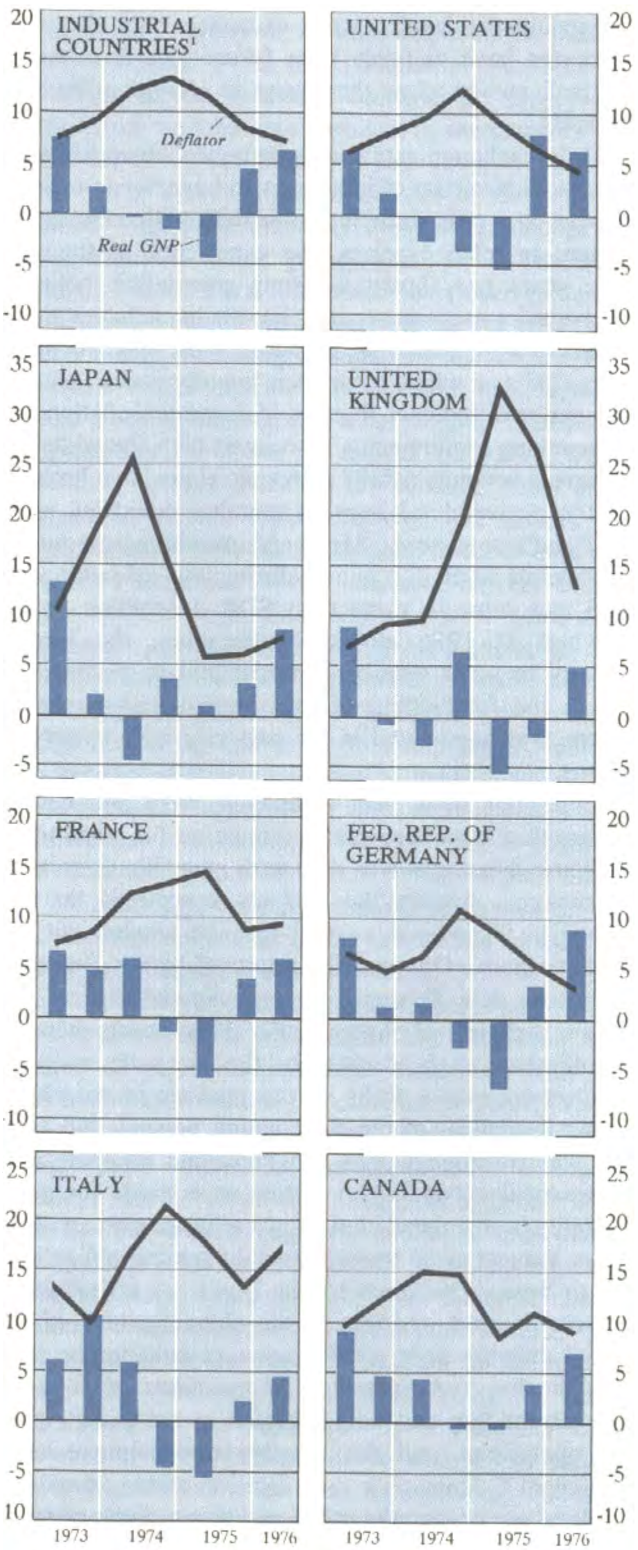
By the first half of 1976, as the chart shows, resumption of output expansion was widespread. Annual rates of increase over the second half of 1975 ranged as high as 6–9 per cent for the three largest economies (those of the United States, the Federal Republic of Germany, and Japan), as well as for the Canadian and French economies, and averaged about 6½ per cent for the whole group of industrial countries. To date, the rate of recovery has been generally moderate by reference to prior cyclical experience in the postwar period when allowance is made for the severity of the 1974–75 recession.

The depressed conditions of 1974 and 1975 resulted, though only with a considerable lag, in an easing of the virulent inflation that has afflicted the world economy since the late stages of the 1972–73 boom. (See Table 2.) From a peak annual rate of 13½ per cent in the second half of 1974 (nearly a full year after the crest of the boom), the overall rate of price inflation in the industrial countries dropped to 8½ per cent in the second half of 1975 and to 7 per cent in the first half of 1976 (Chart 1). This latter rate, however, was still very high, being twice the annual average for the decade of the 1960s. In several countries, moreover, the revival of demand expansion appeared to be arresting earlier tendencies toward easing of inflation or bringing a renewed upward tilt to price movements. Unsatisfactory price trends thus remained a major problem throughout the industrial world.

Considerable disparity in rates of price increase—although less than in 1974 or 1975—prevailed in the first half of 1976. Among the larger industrial countries, the lowest rates of price inflation in this semiannual period were those of the Federal Republic of Germany, the United States, and Japan—3 per cent, 4½ per cent, and 7½ per cent, respectively, at annual rates (as measured by GNP deflators); as noted above, these three countries also ranked highest in estimated growth of real GNP. At the opposite end were Italy and the United Kingdom, which had the highest rates of inflation (17 per cent and 13 per cent, respectively) and the lowest rates of output expansion (4½ per cent and 5 per cent). France and Canada occupied intermediate positions on both counts, as did the group of

Chart 1. Semiannual Changes in Output and Prices in Industrial Countries, First Half 1973–First Half 1976

(Percentage changes in real GNP and GNP deflators from preceding half year, seasonally adjusted, at annual rates)



[1] Include, in addition to the countries shown separately in the chart, Austria, Belgium, Denmark, Luxembourg, the Netherlands, Norway, Sweden, and Switzerland.

Table 1. Growth of World Output, 1960–75

(Percentage changes in real GNP or GDP)

	Annual Average [1]			Change from Preceding Year				
	1960–70	1960–65	1965–70	1971	1972	1973	1974	1975
Industrial countries	**4.8**	**5.1**	**4.5**	**3.7**	**5.7**	**6.0**	**—**	**−1.5**
Canada	5.2	5.6	4.8	6.5	5.9	7.2	3.2	0.6
United States	4.0	4.7	3.1	3.0	5.7	5.5	−1.7	−1.8
Japan	10.8	10.0	11.6	7.3	9.1	9.9	−1.2	2.0
France	5.7	5.7	5.6	5.3	5.7	5.8	3.8	−2.5
Germany, Federal Republic of	4.9	5.0	4.8	3.0	3.4	5.1	0.4	−3.4
Italy	5.7	5.2	5.9	1.6	3.1	6.8	3.4	−3.7
United Kingdom	2.7	3.2	2.2	2.0	3.1	5.5	−0.1	−1.7
Other industrial countries [2]	4.8	5.0	4.6	3.4	4.3	4.4	3.5	−1.8
Primary producing countries	**5.6**	**5.3**	**5.8**	**5.4**	**5.5**	**6.8**	**5.6**	**3.5**
More developed [3]	5.8	5.9	5.8	5.7	5.6	6.2	4.0	1.6
Less developed [4]	5.5	5.1	5.8	5.3	5.4	7.1	6.2	4.2
World [5]	**5.0**	**5.1**	**4.8**	**4.1**	**5.7**	**6.1**	**1.1**	**−0.5**

Sources: National economic reports, IMF Data Fund, secretariat of the United Nations, U.S. Agency for International Development, International Bank for Reconstruction and Development, and Fund staff estimates.

[1] Compound annual rates of change.

[2] Austria, Belgium, Denmark, Luxembourg, the Netherlands, Norway, Sweden, and Switzerland.

[3] Comprise Australia, Finland, Greece, Iceland, Ireland, Malta, New Zealand, Portugal, Romania, South Africa, Spain, Turkey, and Yugoslavia.

[4] Comprise Fund member countries not listed above as "Industrial countries," or as being "More developed" (footnote 3, above). In some of the other tables in this chapter, the less developed countries are subdivided to distinguish the "major oil exporters" (Algeria, Bahrain, Indonesia, Iran, Iraq, Kuwait, the Libyan Arab Republic, Nigeria, Oman, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela) and "other developing countries" (or "non-oil developing countries").

[5] Fund member countries (listed in Appendix I, Table I.1) plus Switzerland.

"other" (seven smaller) industrial countries with respect to price increases. The average rate of real GNP expansion in the smaller countries, however, was lagging behind that of the major industrial countries. Such a lag is characteristic of the early stages of a cyclical upswing.

The disparity in rates of price increase in the industrial countries during recent years has impinged directly on developments and policies with respect to interest rates, exchange rates, reserves, and capital flows. It has thus tended to generate special problems for economic policy, particularly as regards the management of balance of payments positions.

The recovery now under way in the industrial world is accompanied by high rates not only of price inflation but also of unemployment, which in most of the industrial countries is at record postwar levels for the present phase of the cycle. National authorities are thus confronted with the prospect, based on past experience, that policies to expand production and alleviate unemployment will encounter a risk of aggravating the problem of inflation. Assessment of this risk, however, is clouded by uncertainties as to the degree of resource underutilization that might be available for the expansion of output without causing an acceleration of price increases and an intensification of inflationary expectations.

Usual indicators of the utilization of resources—e.g., unemployment rates, indices of capacity utilization, and broad estimates of the gap between actual GNP and "potential" GNP (see the 1975 Annual Report, page 4)—show that the recent recession in the industrial countries produced an extraordinary degree of economic slack. But questions arise as to the actual extent of available slack, which is difficult to determine and might be considerably smaller than would be indicated on the basis of such conventional calculations.

For example, the movement of overall unemployment rates to successively higher levels (after allowance for cyclical influences) over the past decade or so suggests a possible trend toward structural imbalances. Part of the rise of unemployment in the industrial countries has been associated with various long-term demographic and institutional changes, such as the increasing participation of women in the labor force; the reduction, on account of developments going back to World War II, in the average age of the labor force; the substantial improvement in benefits obtainable from unemployment insurance; and job-security arrangements in some countries that appear to have caused employers to defer hiring of workers during periods of economic uncertainty.

Similarly, effective plant capacity and the rate at which it is growing have probably been adversely

Table 2. Price Increases in Developed Countries, 1960–75

(Percentage changes in GNP deflators)

	Annual Average[1]			Change from Preceding Year				
	1960–70	1960–65	1965–70	1971	1972	1973	1974	1975
Industrial countries[2]	**3.4**	**2.6**	**4.2**	**5.4**	**4.8**	**7.3**	**11.8**	**10.8**
Canada	3.0	1.9	4.1	3.1	5.0	9.2	14.3	10.7
United States	2.7	1.4	4.1	5.1	4.1	5.8	10.0	9.3
Japan	5.1	5.1	5.1	4.4	4.8	11.6	20.7	7.3
France	4.3	4.1	4.4	5.6	6.1	7.3	11.6	12.6
Germany, Federal Republic of	3.5	3.6	3.4	7.9	5.9	5.7	6.8	8.2
Italy	4.4	5.5	3.5	7.1	6.2	11.9	16.2	17.4
United Kingdom	4.3	3.6	5.0	8.9	8.0	7.8	12.9	27.6
Other industrial countries[2, 3]	4.5	4.4	4.5	7.2	7.3	7.7	9.8	10.7
More developed primary producing countries[2]	**4.8**	**4.7**	**4.9**	**8.4**	**8.2**	**11.8**	**16.7**	**16.7**
Australia	2.9	2.2	3.6	6.5	7.6	12.0	17.0	15.5
Spain	5.8	6.6	5.0	7.4	8.9	11.5	13.9	16.3
Other countries[2, 4]	5.2	5.0	5.4	9.8	8.1	11.9	18.0	17.5

Sources: National economic reports, IMF Data Fund, and Fund staff estimates.
[1] Compound annual rates of change.
[2] Average of percentage changes for individual countries weighted by the U.S. dollar value of their GNPs at current prices in the preceding year.
[3] Austria, Belgium, Denmark, Luxembourg, the Netherlands, Norway, Sweden, and Switzerland.
[4] Finland, Greece, Iceland, Ireland, Malta, New Zealand, Portugal, South Africa, Turkey, and Yugoslavia.

affected to some extent by various factors. For example, the sudden raising of energy prices rendered some existing facilities obsolete; the severe slump in business investment during the recession has curtailed growth of capacity; and the rising proportion of investment outlays geared to environmental needs may be tending to lower the ratio of conventionally measured output to the stock of capital. In addition, the fact that some key sectors of manufacturing industry are operating much closer to capacity than others heightens the possibility that emergence of "bottlenecks" could abort the absorption of currently unused capacity.

As noted earlier, the declines of economic activity in the industrial world during 1974 and 1975 had pronounced repercussions on activity in the primary producing countries. Chiefly through effects on both the volume and prices of primary product exports, the chain of adverse developments quickly spread to production, incomes, and investment in those countries. Except for the oil exporting group, these reactions then fed back, through downward adjustments of primary producers' imports, into the stream of decelerating forces at work in the industrial countries themselves.

The statistical picture of the current economic situation is much less adequate for the primary producing countries than for the industrial countries. However, the available figures (summarized in Table 1) serve to indicate the degree to which economic growth was retarded in the two groups of primary producing countries during the past two years. In neither the more developed nor the less developed group did the average rate of change in total output turn negative, as it did in the industrial countries. In both groups, however, significant decelerations are clearly evident in the estimates for 1975.

Among the more developed primary producing countries, the average rate of expansion in real GNP was about 6 per cent in 1973, roughly the same as the average for the industrial countries as a group. It fell to 4 per cent in 1974 and to 1½ per cent in 1975, chiefly under the influence of the international recession. The decline from 1973 to 1975, although markedly less severe than that occurring in the industrial world, was more pronounced than the slowdown of growth in the developing countries, partly because the higher per capita incomes and the generally more flexible economies of the developed primary producers put them in better position to deal with external financing problems of the period through downward adjustments of domestic demand. The closer integration of the economies of the more developed countries with those of the industrial countries, especially within the European area, was also a factor in the larger degree of slowdown for the more developed group.

Among developing countries, the response of domestic economic activity to the global recession emerged with an appreciable lag. From 1973 to 1974, the rate of expansion of total real output declined by only about 1 percentage point, to 6 per cent. Growth rates for the oil exporting countries were relatively high (about 10 per cent, on average), reflecting the effects of stepped-up domestic expenditures made possible by increased oil revenues. In the other (non-oil) developing countries, the volume of both domestic demand and imports maintained a high rate of increase from 1973 to 1974, broadly similar to that from 1972 to 1973. For 1975, it would appear that growth rates were generally well sustained in the oil exporting countries (apart from the drop in oil production) but fell appreciably in the non-oil group of countries, where the volume of imports declined by 4 per cent from that in 1974. The average rate of output expansion in the non-oil developing countries from 1974 to 1975—somewhat less than 4 per cent—was still substantially above the corresponding average for either the industrial countries or the more developed primary producing countries, but it was small in relation to population growth and represented a temporary setback to the developmental aspirations of many countries.

Rates of inflation in developing countries can best be compared in terms of consumer price indices, which are much more widely and currently available than are GNP or GDP deflators. Weighted averages of consumer price increases in both the non-oil developing countries—separately by regions—and the major oil exporting countries are set forth for recent years in Table 3. The table shows that, after adjustment to eliminate the effect of certain cases of hyperinflation upon the averages, price inflation in the non-oil group of countries continued to accelerate in 1974, after the peak of real output expansion had been passed, but began to taper off during 1975. On this adjusted basis, the average rate of increase in consumer prices for the non-oil group is estimated to have been about 18 per cent in 1975, compared with 26 per cent in 1974, 15 per cent in 1973, and some 10 per cent for the period 1965–72.

Most of the decline in the inflation rate of non-oil developing countries from 1974 to 1975 stemmed from developments in the Asian region. There, the 1975 increase in consumer prices fell back to 10 per cent, compared with 30 per cent in 1974 and 17 per cent in 1973; the 1975 figure was not very far above the pre-1973 average for Asia. The record in other regions was less satisfactory. For 1975 as a whole, the average rise in consumer prices was about the same as in 1974 among African countries, and it declined very little in the (non-oil) Middle Eastern group and in the Western Hemisphere (exclusive of Argentina and Chile).

In the major oil exporting countries, the rate of increase in consumer prices edged upward in 1975. The price record for these countries in 1974 and 1975 was not very different from that of non-oil developing countries outside Asia.

Rates of inflation in the more developed primary producing countries can be gauged from the figures on GNP deflators shown in Table 2. On average, these rates continued to rise in 1974 and leveled off only in 1975, when they remained substantially above any of the annual increases recorded prior to 1974. In both 1974 and 1975, the level of price inflation was much higher in the more developed group of primary producers than in the industrial countries, as it had been throughout the previous decade.

Features of the Current Economic Recovery

An almost universal factor in the current upswing of economic activity in the industrial countries is the stimulus provided by the recovery of consumer spending. This development is due in large part to a return of consumer confidence, as manifested by declines in personal saving ratios in most of the major countries. The restoration of confidence stemmed broadly from improvements in the economic climate since the trough of the recession—particularly the deceleration of inflation, the gradual strengthening of the employment situation, and increased liquidity of households.

Table 3. Price Increases in Developing Countries, 1965–75

(Percentage changes in consumer prices) [1]

	Annual Average 1965–70 [2]	Change from Preceding Year				
		1971	1972	1973	1974	1975
Non-oil developing countries	11	10	14	22 [3]	32 [3]	30 [3]
In Africa	5	4	5	9	19	19
In Asia	8	5	8	17	30	10
In the Middle East	4	6	6	12	20	19
In the Western Hemisphere	17	16	22	31 [3]	38 [3]	53 [3]
Major oil exporting countries	10	6	5	11	17	18

Sources: IMF Data Fund and Fund staff estimates.

[1] Calculated from weighted geometric means of country indices expressed in terms of local currency. Weights are proportional to GDP (in U.S. dollars) in 1970.

[2] Compound annual rates of change.

[3] Excluding Argentina and Chile, the figures for non-oil developing countries in the last three columns are 15 per cent, 26 per cent, and 18 per cent, respectively; with a similar exclusion, the Western Hemisphere figures in the last three columns would be 14 per cent, 25 per cent, and 24 per cent, respectively.

The recently more confident spending of consumers followed two years of unusually weak growth of real consumption. This weakness (contrasting with the typically stronger behavior of private consumption in prior recessions) was rooted in the fact that advances in wage rates—rapid as they were—did not keep pace with the accelerated increase in consumer prices during 1974. Real earned income of households ceased to grow, and the support given to disposable personal income by fiscal policy measures—reduced taxes and increased government transfer payments—was largely offset by higher rates of personal saving, apparently induced in part by caution in the face of high rates of inflation and rising unemployment and underemployment. In real terms, consumer spending in the major industrial countries in the first half of 1975 was at much the same level as two years earlier. The lack of support for real output growth from this main component of aggregate demand was a major factor in the cutbacks of both inventory accumulation and fixed investment that accounted for the downturn in aggregate real GNP of the industrial countries during 1974 and 1975.

Inventory investment has been a very important element of recent cyclical swings in economic activity, as it was in corresponding stages of most previous cycles. The shift to liquidation of stocks in the seven major industrial countries, equivalent in 1975 to about 2 per cent of their combined GNP, was a major depressant of production and employment, while the opposite shift toward renewed inventory accumulation provided important leverage in the initial upturn through mid-1976. This source of increase in aggregate demand, however, is likely to be of considerably less importance in the period immediately ahead.

Real gross fixed investment (including residential construction) declined sharply in each of the past two years. For the seven major industrial countries taken together, this cyclically volatile component of aggregate demand is estimated to have dropped by some 6–7 per cent in 1974 and by another 8–9 per cent in 1975. However, the downward plunge was arrested after the middle of 1975. A small positive change in the second half of the year was followed, with roughly the customary lag, by a somewhat stronger movement toward recovery in the first half of 1976, when growth of fixed investment was fairly brisk in all the major industrial countries except Italy and the United Kingdom. Even in those two countries, the changes in the first half of 1976 contributed significantly to the gain in economic momentum, as real fixed investment had declined in both countries in the second half of 1975.

The latest surveys of the outlook for business fixed investment in some of the larger industrial countries, together with the improved prospects for general economic activity and strengthening of financial positions of business firms, appear to foreshadow an increasingly important role for private fixed investment in the current upswing. The recent strengthening of business financial positions stems partly from the rebound in profit margins because of productivity gains associated with the initial phase of the cyclical rise in sales and partly from the effects of liberalized depreciation allowances on cash flows.

Government policies in the industrial countries during the recession period were directed strongly toward combating slack demand and unemployment. In the main, supportive measures took the form of accommodative monetary policies and of adjustments in taxes or transfer programs, rather than of variations in direct government purchases of goods and services. The same observation holds, generally speaking, for shifts in the direction of fiscal restraint now being widely planned. Changes in fiscal programs are discussed later in this chapter, along with monetary and other economic policy actions.

For the industrial countries as a group, shifts in the real balance of net exports of goods and services in 1974 and 1975 were mildly countercyclical, and there was little further change in this balance in the first half of 1976. However, the faster growth of domestic demand has induced a marked revival in international trade that, in a number of industrial countries, has contributed importantly to the momentum of recovery.

To a considerable extent, the improvement of price trends in the industrial countries since 1974 can be ascribed to a decline in rates of increase in unit labor costs, stemming partly from a more subdued movement of hourly earnings of employees and partly from a better productivity record. At the peak of the inflation, in the second half of 1974, hourly earnings in the manufacturing industries of the seven major industrial countries were rising at an annual rate of more than 20 per cent (in terms of the respective national currencies), and output per man-hour was declining in the fashion typical of a cyclical downturn, in which employment tends to be much better maintained than production. The result was an annual rate of increase in unit labor costs averaging about 25 per cent. In 1975, however, the average rate of increase in wages subsided appreciably, while output per man-hour began to increase again with the cyclical upturn in the second half. By the first half of 1976, the average annual rate of increase in hourly earnings had declined to roughly 12 per cent, and strong cyclical gains in output per man-hour had reduced the annual rate of increase in manufacturing unit labor costs below 5 per cent for the major industrial countries as a group. Because of the cyclical element in the recent productivity gains, part of that reduction was doubtless transitory. Nevertheless, it made a contribution to the easing of price pressures, the restoration of business profit margins, and the general improvement of prospects for production and investment.

The slowing of consumer price increases after the fourth quarter of 1974 was, in turn, an important element in the moderation of wage demands. It reflected a flattening of food price trends as agricultural supplies came into better balance with current demand, as well as the developments sketched above with respect to costs and prices of manufactured goods. Another factor in the retardation of inflation was the sharp decline in nonfood primary commodity prices during 1975. Although these prices rebounded rather strongly in the first half of 1976, the upward pressure on production costs from this source remained considerably lower than before the downturn. Still another development that contributed to the abatement of inflation during 1975 was the marked leveling off of export price indices of the industrial countries (discussed further below). After having become an independent source of additional inflationary pressure during 1973 and 1974, these reverted during the course of 1975 into a more customary relationship to domestic prices, again rising much less rapidly than the latter in most industrial countries.

The net result of all these decelerating influences was an appreciable drop in rates of inflation, with the average rise in GNP deflators for the industrial countries (as noted above) declining to an annual rate of about 7 per cent in the first half of 1976, compared with 13½ per cent in the second half of 1974. At mid-1976, it seemed possible that there could still be room for some further unwinding of the inflationary process through the momentum of forces (such as lower demand pressure, improved productivity and unit labor cost positions, and more satisfactory business profit margins) that had brought pronounced gains in price performance since 1974. In most of the industrial countries, however, rates of price increase appeared to be stabilizing at extraordinarily high levels. There remained a danger that deceleration of productivity gains and a gradual whittling away of high unemployment and excess plant capacity as the expansion proceeded, together with the greater buoyancy of economic expectations, might induce a renewed acceleration of price increases.

This danger seemed to be accentuated by the way in which the cyclical recovery was developing among countries. For it appeared at the middle of 1976 that the early "lead" of the United States in the recovery was disappearing and that, once again, economic expansions in the industrial countries would soon come into broad alignment. Such a synchronization of cyclical recovery occurred in the period 1971–73 and contrasts with the significantly divergent timing of cyclical fluctuations in the industrial world during the late 1950s and the 1960s.

World Trade and Payments

International trade developments during 1975 and the first half of 1976 were dominated by cyclical influences. Until about the middle of 1975, the volume of world trade was declining in response to the deepening and spreading of the international recession, and increases in foreign trade prices were tapering off or being reversed under the influence of slack demand. However, as economic activity in the major industrial countries stabilized and then expanded again during the latter part of 1975 and the first half of 1976, upward momentum was restored to world trade. Its volume rose once more, as did the prices of many internationally traded commodities. These oscillations in international trade had substantial effects on the external positions of member countries.

Volume of Trade

The recovery of global demand occurred too late to prevent 1975 from becoming the first calendar year of decline in the volume of world trade since 1958. With imports of all major groups of countries except the oil exporting group declining noticeably in real terms, the total volume of world trade in 1975 was some 4½ per cent below the previous year's total. (See Table 4.) This decline in import demand was manifested in lower exports of the industrial countries and the oil exporters, and the exports of non-oil primary producing countries also ceased to grow in volume.

However, the cyclical rebound of import demand in the industrial countries, together with continuing strong advances in imports of the major oil exporting countries, is imparting renewed strength to world trade. (See Charts 2 and 3.) Both in the recession and in the recovery to date, import volume of the industrial countries has shown an unusual responsiveness to changes in real GNP. Largely for this reason, the ground lost with respect to world trade volume in 1975, as continued expansion the year before gave way to decline, seems likely to be regained in 1976 even if an upturn in import demands of the non-oil primary producing countries should lag behind the improvement of their export earnings now in process. (See Chart 4.) Both larger volumes and a marked firming of commodity prices since the second half of 1975 are currently contributing to such an improvement. The industrial countries and the oil suppliers are also sharing in the renewed growth of world markets.

Foreign Trade Prices

In the vast array of goods moving in international trade, those whose prices typically show the widest amplitude of fluctuations in response to cyclical and

Table 4. World Trade Summary, 1960–75 [1]

(Percentage changes in volume and in unit value of foreign trade)

				Change from Preceding Year				
			1960–70 [2]	1971	1972	1973	1974	1975
World trade [3]		Volume	8½	6	9½	13½	6	−4½
		Unit value (U.S. dollar terms)	1	5½	8	23	40	8½
		(SDR terms) [4]	1	5½	7½	12	38½	7½
Volume of trade	Imports	Industrial countries	9	6½	11½	12½	1	−7½
		Other developed countries	9	3	3	14½	7	−7½
		Major oil exporters	4½	10½	12	23	43½	48½
		Other developing countries	6	6½	1	16½	15	−4
	Exports	Industrial countries	8½	6½	9	14	8	−4½
		Other developed countries	7½	5½	11½	4½	1½	—
		Major oil exporters	9	8	7	13½	−1	−11½
		Other developing countries	6	8	10½	14½	7	—
Unit value of trade in SDR terms [4]	Imports	Industrial countries	1	5	—	11½	39	8
		Other developed countries	1	6	1	11	45	9½
		Major oil exporters	1	5	½	9	25½	7½
		Other developing countries	1	6	½	9	39	7
	Exports	Industrial countries	1½	5	1	9½	23½	11
		Other developed countries	1	4½	4½	22½	24½	3½
		Major oil exporters	−1	22½	5	27½	206	3
		Other developing countries	1½	−3½	1	22½	33	−4

Sources: National economic reports, IMF Data Fund, and Fund staff estimates.
[1] For classification of countries in groupings shown here, see Table 1 (and especially footnotes 2–4).
[2] Compound annual rates of change.
[3] Fund member countries (listed in Appendix I, Table I.1) plus Switzerland. Based on approximate averages of growth rates for world exports and world imports.
[4] For years prior to 1970, an imputed value of US$1.00 has been assigned to the SDR.

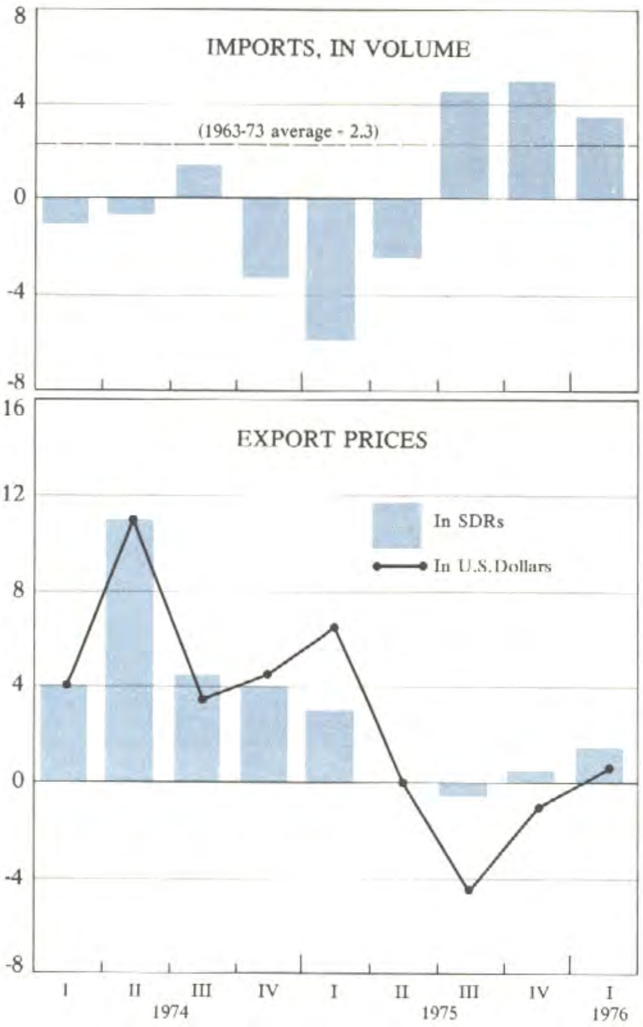
other temporary factors are the primary commodities. The recent behavior of market prices for such commodities tends to confirm this general observation. (See Chart 5.) In terms of U.S. dollars, these prices (excluding petroleum) dropped by some 18 per cent, on average, from 1974 to 1975 but began to recover in the first half of 1976, when they were already 5 per cent above the 1975 average and about 8 per cent above their semiannual low in the second half of 1975. In terms of most other currencies, or of SDRs, the rebound in the first half of 1976 would appear stronger because of the depreciation of those units against the U.S. dollar. By mid-year, commodity prices expressed in SDRs were some 23 per cent above their late 1975 level.

The drop in commodity prices in 1975 was pervasive. Demand for metals and agricultural raw materials, being especially dependent on the level of global economic activity, began to weaken soon after the onset of the economic slowdown in early 1974. World supplies of these goods, which by that time had been generally adjusted to the peak demand requirements of 1973, soon became excessive in relation to shrinking demand; and growing supply imbalances resulted in sharp price reductions for these commodities throughout 1974 and most of 1975. The downward movements were gradually arrested during 1975, however, and a broadly based firming of prices for agricultural raw materials was perceptible during the first half of 1976. This firming was partly due to the fact that national or internationally coordinated stabilization measures (e.g., for rubber and wool), which were originally put into effect to stem the price erosion during the world recession, remained in effect during the early months of 1976. The market for metals, on the other hand, has recently been going through a period of adjustment associated with the running down of stocks, which had been built to unusually high levels during the recession.

With respect to food products, large variations in annual supplies often play a more prominent role in short-term price formation than do cyclical influences. This was notably true in 1974, when supply shortages for a number of important products kept food prices high and rising for several quarters after the downturn in prices of raw materials. During 1975, however, the recession-induced weakness of demand, combined with larger food crops stimulated in part by the high prices of 1974, brought sharp declines in food prices. For some major foodstuffs, this movement was interrupted about mid-1975, when substantial purchases of grains by the U.S.S.R. confirmed the existence of a supply deficiency in that country, and when a severe frost in Brazil significantly reduced the medium-term outlook for coffee supplies. Nevertheless, the food price index as a whole was lower in the second half of 1975 than in the first; and it may be expected, after a bulge in the first half of 1976, to reflect the downward pressure of

Chart 2. Industrial Countries: Changes in Import Volume and Export Prices, 1974–March 1976

(Quarter-to-quarter movements, in per cent)[1]



[1] Seasonally adjusted, actual rates.

more ample supplies of foods that were in relatively short supply during the 1975/76 marketing year. With the food category representing nearly half the total, such a development would exert a decelerating influence on the overall index of primary commodity prices.

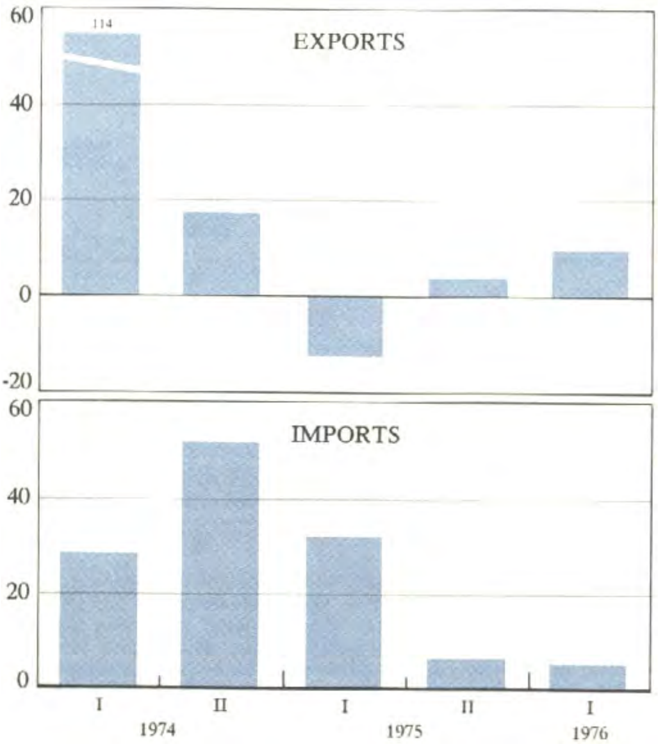
Aside from the recent swings in commodity prices and a moderate increase in the price of oil in the fourth quarter of 1975, movements of foreign trade prices during most of 1975 and 1976 to date have been relatively small. Indeed, by comparison with the sharp increases of the pre-recession period, the flattening of foreign trade price trends during 1975 and the first half of 1976 was a striking development.

The deceleration of price increases in the industrial countries since the end of 1974 has been more pronounced for exports than for domestic output in general. From the first quarter of 1975 to the first quarter of 1976, unit values of exports from the industrial countries rose only moderately in terms of either local currencies or SDRs and declined considerably in terms of the U.S. dollar, reflecting the appreciation of that currency since early 1975. (See Chart 2.) There was substantial diversity among countries, however, in the local-currency movements of export prices, ranging from a decline of about 10 per cent for Japan to an increase of almost 20 per cent for the United Kingdom.

The slackening or (in terms of U.S. dollars) reversal of export price increases in the industrial countries is attributable mainly to the impact of recessionary demand conditions. For many types of manufactured goods, competitive pressures tend to be sharper in international markets than in the domestic markets of some of the producing countries, and export prices appear to have been more sensitive than domestic prices to the general sag in demand during 1975. Although a continuing slack in global demand conditions is to be expected during 1976, recovery is now proceeding briskly, and some renewed upward movement of export prices is already evident. In terms of domestic-currency unit values, the rate of increase in the first half of 1976 was high in relation to the virtual stability of foreign trade prices from about the mid-1950s through the decade of the 1960s; but it portrayed a

Chart 3. Major Oil Exporters: Changes in Trade with Industrial Countries, First Half 1974–First Half 1976

(Semiannual percentage changes in trade values, expressed in U.S. dollars)



situation in which international market forces were no longer contributing importantly to world-wide inflation, as they did so powerfully in 1973 and, especially, in 1974.

The easing of inflation as manifested in export prices of the industrial countries since early 1975 is permitting some improvement in the terms of trade of the non-oil primary producing countries after two years of deterioration. That deterioration was particularly severe in 1975 for the non-oil developing countries, whose own export prices declined while their import prices increased markedly. (See Tables 4 and 5.) For the non-oil primary producing countries as a group, the upswing in commodity prices in the first half of 1976 outpaced the change in import prices.

Chart 4. Non-Oil Primary Producing Countries: Changes in Trade with Industrial Countries, First Half 1974–First Half 1976

(Semiannual percentage changes in trade values, expressed in U.S. dollars)

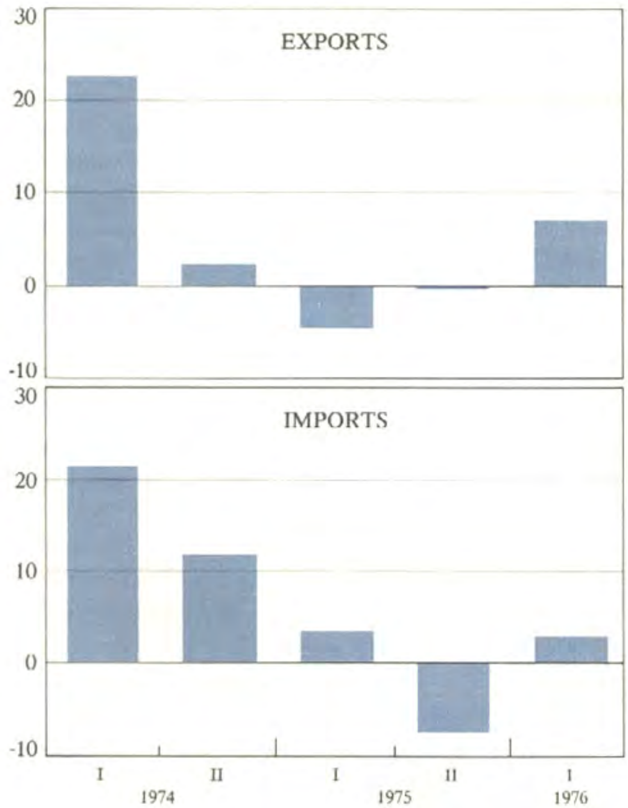
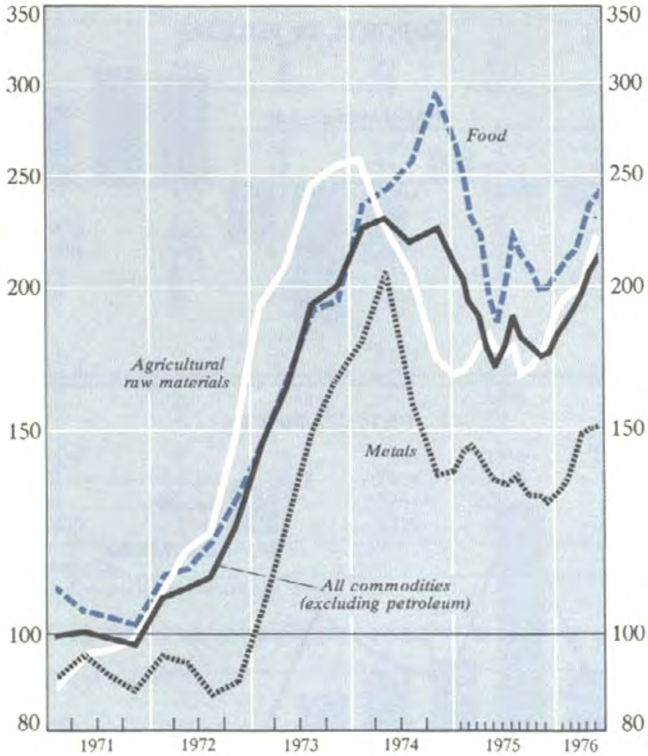


Chart 5. Indices of Prices of Commodities Exported by Primary Producing Countries, 1971–June 1976

(Expressed in U.S. dollars; 1968–70 = 100)



Current Account Balances

The changes in world trade discussed above have been instrumental in generating a number of shifts in the global pattern of balance of payments surpluses and deficits on current account. From 1974 to 1975, the

Table 5. Terms of Trade Developments, 1960–75 [1]

(Percentage changes)

	Annual Average 1960–70 [2]	Change from Preceding Year 1970	1971	1972	1973	1974	1975
Industrial countries	½	½	–½	½	–2	–11	3
Primary producing countries							
More developed countries	½	–1	–1½	3½	10	–14	–6
Major oil exporters	–2	–2	17	5	17	144	–4
Non-oil developing countries	½	–1	–9	½	6½	–4½	–10

Sources: National economic reports, IMF Data Fund, and Fund staff estimates.
[1] For classification of countries in groupings shown here, see Table 1 (and especially footnotes 2–4).
[2] Compound annual rates of change.

largest change for any major group of countries was a decline of more than $30 billion—from $67 billion to $35 billion—in the combined current account surplus of the oil exporting countries. (See Table 6.) This change had as its principal counterpart a sharp swing from deficit to surplus in the current account balance of the industrial countries. As the latter swing was by no means evenly distributed among individual countries, the pattern of balances within the industrial group was altered considerably. (See Table 7.) Both the more developed and the less developed (non-oil) primary producing countries remained heavily in deficit on current account in 1975, and the deficit of the less developed group was substantially larger in 1975 than in 1974.

Incomplete data and Fund staff estimates suggest that some of the principal shifts in the pattern of current account balances in 1975 are being partly reversed in 1976. (See Table 8.) A substantial decline in the current account surplus of the industrial countries is

Table 6. Global Balance of Payments Summary, 1973–75

(In billions of U.S. dollars)

		Balance on: Trade	Balance on: Services and private transfers	Balance on: Current account	Capital Account Balance [1]	Change in Liabilities to Foreign Official Agencies [2]	Balance Financed by Transactions in Reserve Assets
Industrial countries [3]	1973	12.2	−0.3	11.8	−13.2 [4]	5.8	4.3
	1974	−10.5	0.9	−9.6	−5.3 [4]	18.4	3.4
	1975	20.9	−1.4	19.4	−19.6 [4]	4.2	4.1
Major oil exporters [3]	1973	18.8	−12.6	6.2	−1.9	—	4.3
	1974	82.3	−15.6	66.7	−23.7	0.1	43.0
	1975	50.8	−15.8	35.0	−15.0	0.1	20.0
Other primary producing countries [3]	1973	−11.4	2.7	−8.7	19.0	0.1	10.4
	1974	−41.4	−1.5	−42.9	39.5	1.6	−1.9
	1975	−48.0	−3.3	−51.3	43.1	5.1	−3.1
More developed areas	1973	−4.8	6.1	1.3	1.0	−0.1	2.3
	1974	−19.1	4.8	−14.3	9.5	0.4	−4.4
	1975	−18.9	4.6	−14.3	10.3	1.7	−2.3
Less developed areas	1973	−6.6	−3.5	−10.0	18.0	0.2	8.1
	1974	−22.4	−6.3	−28.6	30.0	1.3	2.5
	1975	−29.1	−7.9	−37.0	32.8	3.4	−0.8
In Africa	1973	0.7	−2.3	−1.6	2.0	0.1	0.5
	1974	0.5	−2.9	−2.4	2.5	0.3	0.4
	1975	−2.4	−2.6	−5.0	4.0	0.5	−0.5
In Asia	1973	−2.8	0.8	−2.0	4.6	—	2.6
	1974	−9.7	0.6	−9.1	10.4	0.9	2.2
	1975	−10.6	1.0	−9.5	10.1	0.7	1.3
In the Middle East	1973	−4.3	2.3	−2.0	3.2	0.1	1.1
	1974	−5.9	1.9	−4.0	4.0	0.1	0.1
	1975	−7.7	1.7	−6.0	4.4	1.5	−0.1
In the Western Hemisphere	1973	−0.2	−4.2	−4.4	8.3	—	3.8
	1974	−7.3	−5.8	−13.2	13.0	—	−0.1
	1975	−8.5	−7.9	−16.5	14.4	0.6	−1.5
Total, all countries [5]	1973	19.6	−10.2	9.3	3.9	5.9	19.0
	1974	30.4	−16.2	14.2	10.5	20.0	44.6
	1975	23.7	−20.5	3.1	8.5	9.4	21.0

Sources: Data reported to the International Monetary Fund and Fund staff estimates.

[1] This balance is computed residually as the difference between the balance financed by transactions in reserve assets and the sum of the current account balance and the change in liabilities to foreign official agencies; it includes net errors and omissions, as well as reported capital movements, government transfers, and gold monetization. (See also footnote 2.)

[2] The concept of "liabilities to foreign official agencies" used in this table encompasses use of Fund credit and short-term balance of payments financing transactions in which the liabilities of the borrowing country are presumably treated as reserve assets by the creditor country. See also footnote 4 in the text.

[3] For classification of countries shown here, see Table 1 (and especially footnotes 2–4).

[4] See footnote 5.

[5] Global balance of payments aggregations inevitably contain many asymmetries arising from discrepancies of coverage or classification, timing, and valuation in the recording of individual transactions by the countries involved. A major area of asymmetrical classification during recent years concerns the recording of official claims placed in Euro-currency markets. These transactions, although treated as changes in reserve assets by the investing countries, are recorded as capital inflows by the recipient industrial countries. Had such transactions been recorded symmetrically, the global summations would show both a larger net capital outflow and a larger aggregate change in liabilities to foreign official agencies. If identified Euro-currency reserve placements (shown in terms of SDRs in Table 13 of this Report) are excluded from the recorded net capital account balances of the industrial countries, their adjusted net capital outflows amount to $21.2 billion, $23.9 billion, and $26.2 billion over the years 1973, 1974, and 1975, respectively.

Table 7. Industrial Countries: Balance of Payments Summaries, 1973–75
(In billions of U.S. dollars)

		Balance on Trade	Balance on Services and private transfers	Balance on Current account	Capital Account Balance [1]	Change in Liabilities to Foreign Official Agencies [2]	Balance Financed by Transactions in Reserve Assets
United States	1973	0.9	2.0	2.9	−8.2	5.1	−0.2
	1974	−5.4	8.2	2.8	−11.6	10.2	1.4
	1975	9.0	6.6	15.6	−19.6	4.6	0.6
United Kingdom	1973	−5.7	4.5	−1.2	1.5	0.2	0.5
	1974	−12.3	4.5	−7.8	4.8	3.2	0.2
	1975	−7.2	4.1	−3.1	2.9	−1.4	−1.5
Canada	1973	2.7	−2.6	0.1	−0.6	—	−0.5
	1974	1.7	−3.4	−1.6	1.6	—	—
	1975	−0.6	−4.2	−4.9	4.5	—	−0.4
France	1973	0.8	−0.8	−0.1	−1.8	0.1	−1.8
	1974	−3.9	−1.0	−4.8	4.5	0.3	−0.1
	1975	1.9	−0.5	1.3	2.2	0.4	4.0
Germany, Federal Republic of	1973	15.3	−8.5	6.8	2.5	−0.5	8.8
	1974	21.9	−9.4	12.5	−13.1	0.1	−0.4
	1975	17.1	−9.7	7.4	−8.2	−0.2	−1.0
Italy	1973	−4.0	2.8	−1.2	1.0	0.3	0.1
	1974	−8.5	1.9	−6.6	2.0	5.3	0.7
	1975	−1.1	2.1	1.0	−3.5	0.7	−1.8
Japan	1973	3.7	−3.6	0.1	−6.4	—	−6.3
	1974	1.4	−5.9	−4.5	5.7	—	1.2
	1975	5.0	−5.4	−0.4	−0.2	—	−0.6
Other industrial countries [3]	1973	−1.5	5.9	4.4	−1.2	0.6	3.8
	1974	−5.5	6.0	0.5	0.8	−0.7	0.5
	1975	−3.3	5.7	2.4	2.3	0.1	4.8
Total, industrial countries	1973	12.2	−0.3	11.8	−13.2 [4]	5.8	4.3
	1974	−10.5	0.9	−9.6	−5.3 [4]	18.4	3.4
	1975	20.9	−1.4	19.4	−19.6 [4]	4.2	4.1

Sources: Data reported to the International Monetary Fund and Fund staff estimates.
[1] See Table 6, footnote 1.
[2] See Table 6, footnote 2.
[3] Austria, Belgium-Luxembourg, Denmark, the Netherlands, Norway, Sweden, and Switzerland.
[4] See Table 6, footnote 5.

evidently in progress, along with some recovery in the current account surplus of the major oil exporting countries and appreciable declines in the deficits of both the non-oil developing countries and the more developed primary producing countries. Except for the last group, whose collective current account balance had been unchanged in 1975, all of these prospective 1975–76 changes are in opposite directions from the previous year's changes.

In large part, the reversals of direction reflect the transition of the world economy from recession to the current recovery phase of its cyclical evolution. However, the effects of additional important factors, such as the rapid growth in imports of the oil exporting countries or the shifting price and exchange rate relationships among industrial countries, have been superimposed on influences of a purely cyclical character.

It will be recalled that the 1974 pattern of current account balances, from which the foregoing changes are traced, was itself a highly unusual one in historical perspective, reflecting the initial impact of the sudden increase in the price of oil at the beginning of the year. Gradual adjustments subsequently made by many of the oil importing countries are among the noncyclical influences affecting current account balances during 1975 and 1976. Despite such adjustments, the surplus of the oil exporting countries remains a great deal larger, and the current account balances of other groups of countries correspondingly less positive or more negative, than they presumably would have been in the absence of the 1974 oil price increase.

The magnitude of the decline in the oil exporters' combined current account surplus from 1974 to 1975 was a function of both weakness in oil export markets and rapid import expansion under the stimulus of ambitious development programs and abundant financial resources. More than two thirds of the drop in the surplus can be attributed to the import expansion, while the remainder was due chiefly to the cyclical downturn in demands for oil in the importing countries, to economies of fuel consumption in response to the 1973–74 price increases, and to official measures of oil conservation. The renewed strength of world demand for oil during the latter part of 1975 and early 1976 is the overriding element in the prospective increase of the oil exporters' current account surplus in 1976. (See Chart 3.) However, with their imports of goods and services still rising at an unusually fast rate, this increase seems likely to be rather moderate.

To a large extent, the shifts in the accounts of the oil exporters from 1974 to 1976 are reflected in the current account balance of the industrial countries as a group. A major part of the positive swing in the industrial countries' current account balance from 1974 to 1975 stemmed from two factors: (a) the predominance of those countries as suppliers of goods and services imported by the oil exporters group and (b) the cyclical downturn in the industrial countries' imports of oil. The renewed upsurge of oil imports by the industrial countries since about the middle of 1975 is contributing to the drop in their combined current account surplus that is occurring in 1976. The swings in both directions have also reflected, of course, the stagnation or decline and subsequent recovery of imports from the non-oil primary producing countries.

For the less developed group of non-oil primary producing countries, the $37 billion current account deficit registered in 1975 (Table 8) represented the culmination of adverse developments over a two-year period. Cessation of growth in export volume and deterioration in the terms of trade were superimposed on a 1974 current account deficit already enlarged by sharp increases in the costs of oil and other imports at a time of cyclical slowdown in the growth of export volume. However, a partial reversal of the 1974–75 increase in the current account deficit of the non-oil developing countries seemed to be under way in the first half of 1976. Export volume was rising rather strongly, and the terms of trade were improving. If these tendencies continue in the second half of the year, they will result in a decline of perhaps $5 billion in the group's current account deficit. A decline of similar magnitude, for broadly similar reasons, would also appear to be in prospect for the more developed primary producing countries in 1976.

Among the industrial countries, the United States, where cyclical influences on the trade balance have been strong, accounted for a somewhat disproportionate share of both the upward swing in the aggregate current account balance in 1975 and the downward swing occurring in 1976. Other industrial countries where cyclical factors contributed importantly to positive swings in 1975 included Japan, Italy, France, and the United Kingdom. In most cases, however, reversals of the cyclical elements in the 1975 position did not appear to be as far advanced by mid-1976 as in the United States.

For the Federal Republic of Germany, Canada, and the smaller industrial countries taken together, the influence of cyclical factors on current account balances was negative in 1975, absorbing part of the opposite cyclical movements in the accounts of the major industrial countries mentioned in the preceding paragraph. With respect to Canada and the majority of the seven smaller industrial countries, the effects of the recession on their export markets appear to have been appreciably stronger in 1975 than the impact of a slower pace of domestic economic activity on their demands for imports. This situation, however, is being reversed in 1976. For the Federal Republic of Germany, the negative character of net cyclical influences in 1975 stemmed from somewhat different causes. It reflected primarily the relatively high sensitivity of the country's exports[2] to demand conditions in foreign markets; but the fact that domestic demand held up better in the Federal Republic of Germany than in most of its trading partners was an additional factor tending, through the support of imports, to hold down the current account surplus in 1975. This surplus was well maintained in the first half of 1976 despite rapid domestic recovery that, by itself, could have a considerable negative effect.

Table 8. Summary of Payments Balances on Current Account[1, 2]

(In billions of U.S. dollars)

	1973	1974	1975	1976 (Projection)[3]
Major oil exporters	6	67	35	40
Industrial countries	12	−10	19	3
Non-oil primary producing countries				
More developed	1	−14	−14	−10
Less developed	−10	−29	−37	−32
Total[4]	9	14	3	—

Sources: Data reported to the International Monetary Fund and Fund staff estimates.

[1] Goods, services, and private transfers.

[2] For classification of countries in groups shown here, see Table 1 (and especially footnotes 2–4).

[3] The 1976 projections are subject to considerable uncertainty and should be viewed as rough orders of magnitude.

[4] Reflects balances of countries covered here with nonreporting countries, plus (quantitatively more important) statistical errors and asymmetries.

Capital Flows, Reserve Changes, and Exchange Rate Movements

In 1975, the only major industrial country recording both a current account surplus and net capital inflows was France (Table 7). This combination of external

[2] Because of the preponderance of capital and other durable goods, together with intermediate industrial products, such as steel and chemicals, in their composition.

transactions resulted in both a substantial accumulation of reserve assets (some $4 billion) and a 10 per cent appreciation of the effective exchange rate [3] for the French franc. The strength of France's external financial position faded somewhat after about the middle of 1975, however, and the first half of 1976 was marked by a weaker current account, reduction of reserve asset holdings, France's departure from the European common margins arrangement, and a 2 per cent semiannual decline in the effective exchange rate. The payments balances of the smaller industrial countries displayed considerable diversity. As a group, however, they also had a current account surplus accompanied by a net inflow of capital in 1975; and here, too, both reserve gains (totaling more than $4½ billion for the group) and appreciation of effective exchange rates resulted. The combined current account surplus of this group appears to be rising further in 1976, and effective exchange rates in all the countries appreciated in the first half of the year.

At the opposite end of the spectrum of international payments positions in 1975 were Italy and the United Kingdom. Italy's current account surplus of about $1 billion, attributable largely to cyclical conditions, was greatly exceeded by the net outflow of capital. A reduction of reserve assets and further reserve-related official borrowing, together approximating $2½ billion, absorbed most of the resultant pressure during 1975, and the effective exchange rate for the Italian lira was virtually flat throughout the year at a level about 4 per cent below its 1974 average. In early 1976, however, despite further official borrowing of $2 billion, the weakness of the current account position, the intensification of domestic inflation (already higher during 1975 than in most other industrial countries), and political uncertainties combined to produce a sharp plunge in the exchange rate. In effective terms, its depreciation from the second half of 1975 to the first half of 1976 amounted to about 16 per cent.

The external position of the United Kingdom in 1975 included a current account deficit ($3 billion) together with a capital inflow amounting to almost $3 billion that was in large part a reflection of official or officially encouraged external borrowing. Interest rates in the United Kingdom, although considerably above those in other major national credit markets, did not exceed the latter rates by anything like so wide a margin as the then prevailing differential in inflation rates between the United Kingdom and other major industrial countries. In these circumstances, both a $1½ billion liquidation of reserve assets and a 7½ per cent depreciation of the effective exchange rate for the pound sterling contributed to absorption during 1975 of the pressures resulting from the excess of the current account deficit over capital inflows. In March 1976, however, market pressures intensified, bringing a sharp decline in the effective exchange rate for sterling despite considerable intervention to moderate this movement. The rate, which depreciated by 11 per cent from early March to late June, stabilized only after announcement of a massive international support facility, as noted in Chapter 2.

For the United States, the Federal Republic of Germany, and Canada, current account balances in 1975 were rather closely matched by compensating capital flows; for Japan, the deficit on current account was not large enough to give rise to heavy and sustained exchange market pressures, even though it was accompanied by a small net outflow of capital. None of these four countries increased or reduced its reserve assets very substantially during 1975, and only the United States showed any sizable increase in its liabilities to foreign official agencies (chiefly through placement of reserve holdings by the oil exporting countries). For all the countries, changes in effective exchange rates from 1974 to 1975 were rather moderate. The largest of these changes was a 4 per cent depreciation of the Canadian dollar, but this was concentrated in the first half of the year and was reversed by early 1976. Canada's large current account deficit throughout 1975 and the first half of 1976 was virtually offset by an increased net capital inflow, partly in reflection of interest rates substantially higher than relevant rates abroad.

The currencies of Japan, the Federal Republic of Germany, and the United States also appreciated in effective terms in the first half of 1976. These movements, mainly in reflection of the steep declines in the exchange rates for the pound sterling and the Italian lira, are discussed in more detail, along with related changes in exchange reserves and official intervention policies, in Chapter 2. A key point in the present context, however, is that the Federal Republic of Germany, Japan, and the United States were also the principal gainers of reserve assets among the industrial countries in the first half of 1976. With their currencies floating relatively freely (apart from the Federal Republic of Germany's participation in the European common margins arrangement), all three of these large countries absorbed part of the "favorable" pressure of external transactions on their balance of payments positions through effective exchange rate appreciation and part through acquisition of reserves. Their reserve gains were in considerable measure the direct counterpart of official borrowing by the United Kingdom and Italy, and doubtless reflected also the French use of reserves during the early part of 1976.

[3] Estimates of effective exchange rates mentioned in this chapter are based on calculations utilizing the weighting system implicit in the Fund staff's multilateral exchange rate model. See Chapter 2 for discussion of alternative measures of changes in effective exchange rates.

Policies in the Industrial Countries

In this section, the current setting for economic policy in the industrial countries is first described very briefly. Then, against this background, there follows a discussion of how policies are being adapted, and might be adapted over the medium term, to meet the issues confronting national authorities.

Economic Setting

Salient features of the economic situation in the industrial countries may be outlined, for the most part, through a recapitulation of various points that were brought out in the first two sections of this chapter.

—It now seems apparent, at the middle of 1976, that economic recovery in the industrial world has been launched on a broad and satisfactory scale. Although judgment cannot be at all certain, indications are that the automatically stabilizing features of modern fiscal systems, an easing of fiscal and monetary policies, a shift from inventory liquidation to accumulation, and a drop in rates of consumer saving have combined to bring about an economic upturn that will be bolstered in the period ahead by a gathering strength of business fixed investment.

—The recovery that is now under way in the industrial countries is accompanied by rates of price inflation, averaging about 7 per cent (annual rate) in the first half of 1976, that are very high by past standards. Over the decade of the 1960s, for example, the industrial countries as a group experienced price increases averaging 3½ per cent a year, and for the first half of the decade the corresponding average was only 2½ per cent. There was a considerable disparity in rates of price increase among the industrial countries in the first half of 1976, but in almost all of these countries the current level of price inflation is much too high to be considered acceptable by the authorities.

—A similar generalization applies to unemployment. Immediately, therefore, a disturbing consideration arises —namely, that past experience indicates clearly that policies aimed at expanding demand and reducing unemployment will incur the risk of causing an acceleration of price increases and an intensification of inflationary expectations.

—It might be thought that the importance of this risk, now and for some period ahead, could be discounted on the grounds that the 1974–75 international recession produced an extraordinary degree of economic slack. Yet, the actual extent of available slack is difficult to determine and, for reasons mentioned earlier in this chapter, might be considerably smaller than would be indicated by conventional measures of the utilization of resources. Actually, in any assessment of the complex forces responsible for the determination of prices in the current inflationary environment, it is difficult in any event to judge how much weight should be assigned to the degree of effective economic slack (however determined) as against the rate at which slack is absorbed. Given the imponderables, the fact that price increases are currently at such a high level, and that they might soon be tending even higher, must be regarded as a very serious problem for policy.

—The seriousness of this problem is underlined by the likelihood that the cyclical expansions of real GNP in the various industrial countries seem to be moving into close alignment. Such a synchronization, it may be feared, could lead to a considerably greater upsurge of activity and prices, especially primary commodity prices, than is now envisaged on the basis of admittedly limited knowledge about the interaction of national economies in this type of process. Much of the fear on this score undoubtedly derives from unexpectedly adverse experience in the 1971–73 cyclical phase.

—Despite the shocks that have affected their current account balances in recent years, most of the industrial countries have avoided serious balance of payments difficulties, in part because the existence of floating exchange rates has increased the flexibility of adjustment. In Italy and the United Kingdom, however, recurrent weakness in the current account was compounded early in 1976 by pressures in the capital account. Economic and financial policies in those two countries, where inflation rates are the highest in the industrial world, are now giving particular emphasis to a strengthening of the external position.

Adaptations of Policy

It is reassuring that in many of the industrial countries current rates of monetary expansion are lower than those during the comparable phase of the 1971–73 cycle in real terms, that is, after allowance for the prevailing higher levels of price increase. More generally, national authorities are very apprehensive about the possibility of another runaway boom, which remains a vivid memory.

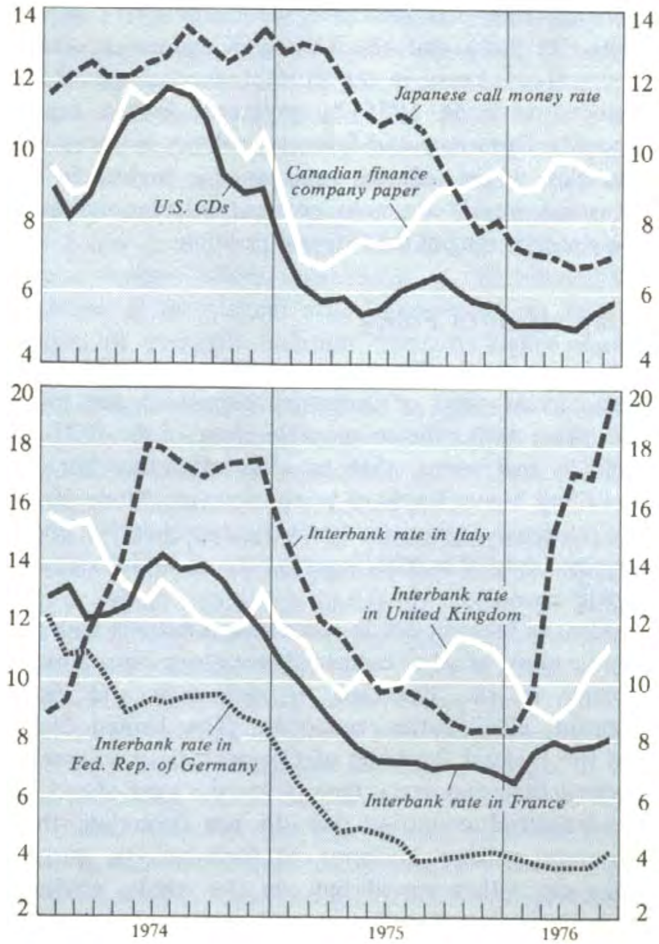
Also, as brought out in recent consultations with the Fund, most of the industrial countries are already moving in the direction of monetary and fiscal restraint, albeit rather modestly. The United States and the Federal Republic of Germany have somewhat lowered their monetary targets for the year ahead; in the industrial countries that do not formulate their monetary policies in terms of such targets, current plans are rather varied but, on the whole, envisage some tightening of monetary and credit policies and a rise in interest rates. (As shown in Chart 6, short-term interest rates in major industrial countries firmed somewhat during the first half of 1976.) On the fiscal side, Fund staff calculations of fiscal balances on a cyclically adjusted basis indicate that the major industrial countries are planning a modest withdrawal or little change in the degree of fiscal stimulus from 1975 to 1976.

Despite the move toward restraint now envisaged, current rates of monetary expansion are still in double digits in most of the industrial countries, and will need to be reduced considerably if a return to reasonable price stability is to be achieved in the next few years. Further, the amounts of fiscal stimulus—as distinct from the change in such stimulus—being planned for 1976 are generally still sizable, and budget deficits remain very large in a number of countries.

In the difficult and uncertain situation confronting the authorities of industrial countries, attention obviously must be given to both inflation and unemployment. Nevertheless, recent experience indicates that, unless the currently high rate of price inflation is brought down and inflationary expectations are greatly reduced, the effects of policies aimed at stimulating growth and employment are likely to be short lived. Pursuit of policies that seriously aggravated the problem of inflation could lead to a disorderly situation requiring sharp reversals of course.

Chart 6. Major Industrial Countries: Selected Short-Term Interest Rates, January 1974–June 1976 [1]

(In per cent)



[1] All series are monthly averages of daily rates except for Italy where averages of daily rates for the last week of the month are used.

Since restoration of a reasonable degree of price stability would be necessary to establish a durable basis for better economic performance, policies in the industrial countries should have the definite objective of reducing price inflation over some period of time. This would require, of course, effective restraint over aggregate demand. Because of all the uncertainties involved, along with the particular risk of generating adverse employment effects, the approach is very likely to be—and should be—a gradual one. But it would need to be adhered to firmly, and to entail a substantively different evaluation of the risks involved in setting policies from the one typically made in the later 1960s or early 1970s, when the industrial countries tended to shade policy risks on the side of growth and employment. In today's very different environment, demand management policies over the medium term ought to be based on an expansion in nominal GNP encompassing, along with the assumption of a declining rate of inflation, a rate of economic growth only marginally above the assumed rate of growth in economic capacity; otherwise, the hoped-for reduction in the rate of inflation probably will not materialize.

If historical experience is any guide, demand policies in the industrial countries may have great difficulty in restraining the claims of competing groups on the national product to the extent of securing a deceleration of inflation. Increased attention might be given in this regard to the use of incomes policy—as a supplement to sound fiscal and monetary policies, but not as a substitute for them. While it must be recognized that what can be done in this area is greatly affected by the social and political setting in individual countries, a number of countries have adopted programs in the incomes policy field whereas some others (notably the Federal Republic of Germany and Japan) have supported the management of aggregate demand with less formal attempts to rationalize the claims of business and labor on the national product. Of course, this approach also brings into focus the question of whether the claim of the public sector on the national product may not be unduly large.

A cautious approach to demand management policy, as seems advisable, could leave the overall unemployment rate higher than past norms for some period of time. Since unemployment in industrial countries has been tending upward (as noted above) because of various demographic and institutional changes, the meaning or interpretation of unemployment rates has been affected and unemployment has become more difficult to deal with through the conventional measures of demand management. To cushion the hardships of unemployment and to help reduce its level, labor market and other specific measures may be needed.

Also supplementary to demand management policy, various measures could be very helpful in some industrial countries in improving supply conditions, alleviating cost pressures, and achieving higher levels of saving and investment. In this last regard, restraining the growth of the public sector over the medium term may have to be a major policy requirement.

It would seem to be in the interest of the entire international community and of the international adjustment process for the industrial countries to pursue policies directed toward the abatement of price inflation and of inflationary expectations. If the alternatives are pondered, the proposition of giving a high priority to the inflation problem will perhaps find a broad measure of agreement. Nevertheless, the medium-term outlook for world growth and trade is undoubtedly less buoyant than would have been seen a few years ago, and this change may have particular impact on the prospects for many of the non-oil developing countries. Given the constraints under which demand management policies of the industrial countries must operate, special efforts to improve access to their markets would clearly be helpful in this situation.

The Situation of the Primary Producing Countries

Attention has already been called, in the foregoing review of world trade and payments developments, to the main shifts in current account positions of the primary producing countries during 1975 and the first half of 1976. It is clear that the major oil exporting countries, despite the shrinkage in their very large current account surplus from 1974 to 1975, remain in a unique situation; although some of these countries are still faced with substantial inflationary pressures, most of them are relatively free of external financial constraints, and only one or two are encountering serious balance of payments problems. The non-oil primary producing countries, on the other hand, are confronted with the need for heavy external financing associated with the increases in their traditional deficits on current account that emerged in 1974 and were further enlarged, for the developing countries in the group, in 1975. Moderate declines in the current account deficits of both the non-oil developing countries and the more developed primary producing countries are expected to accompany the cyclical upswing in the world economy during 1976, but continued large borrowing and a need for further emphasis on balance of payments adjustment are clearly in prospect. This general situation is discussed below, following brief comments on the circumstances of the oil exporting countries.

Major Oil Exporting Countries

After its sharp decline from 1974 to 1975, the combined current account surplus of the oil exporting countries is very unevenly distributed among them. Nearly nine tenths of the $35 billion surplus in 1975 was concentrated in four countries—Saudi Arabia, Kuwait, the United Arab Emirates, and Qatar—with small populations and limited capacity to absorb imports. This concentration exerts a major influence on the disposition of funds accruing to the oil exporting group, as the accumulation of surplus funds mainly in a few countries whose external financial positions are already highly liquid encourages the placement of such funds in less liquid assets and longer maturities. A marked shift in that direction was evident during 1975, and it appears to have contributed to a better balance in the maturity structures of deposits and loan portfolios of major private financial institutions engaged in large-scale international financing operations.

As an immediate response to the enlarged oil revenues resulting from the sharp rise in oil prices in 1974, all the major oil exporting countries stepped up their development efforts and undertook major projects for social improvements. Because of difficulties in quickly raising domestic output, excess demand conditions and strong inflationary pressures ensued. A very large increase in imports helped to meet the surge of demand pressures. However, rising costs of imports, especially of manufactured goods, augmented the upward pressure on prices, which was also aggravated by the development of port congestion and other transportation bottlenecks.

Confronted with this situation, most of the oil exporting countries shifted their policy stances during 1975 to put greater emphasis on combating inflation. Although the orientation of specific measures varied from country to country, there was a general tendency toward curtailment of growth in government expenditures. Monetary and credit policies were tightened in some of the countries, especially in those of relatively high absorptive capacity, where rising imports to meet excess demand quickly reduced or eliminated the initial current account surpluses.

Various oil exporting countries have also taken steps to reduce the impact of inflation on real incomes of consumers (e.g., through such measures as increased food subsidies and expansion of social services) and to ease immediate supply constraints, particularly upon flows of imported goods. Policies of these types have been pursued especially in the countries of relatively low absorptive capacity.

By late 1975 or early 1976, substantially reduced demand pressures and less rapid increases in prices were widely apparent among the oil exporting countries, even though rates of inflation remained generally high. By and large, the authorities expect, through continuation of restrained demand-management policies and supplementary measures to expand the availability of supplies, to make further progress in reducing inflationary pressures. Despite the shift toward anti-inflation policies, economic activity has been well sustained outside the oil sector in most countries of the group, and there has been an easing of port congestion and other physical barriers to the importation and distribution of goods. The faster rise in imports that should result from these factors may be expected to limit the extent of any renewed increase in the combined current account surplus of the oil exporters during the course of 1976 and into 1977.

Non-Oil Developing Countries

Despite the moderate cyclical reduction in the current account deficit of the non-oil developing countries that appears to have been occurring over the past several quarters, 1976 will certainly be another year of large current account deficits for these countries as a group. The overall problem of external financing may be eased by a moderate decline in the required inflow of financial resources, but it will remain substantial.

Perspective on this financing problem, and on the way it was met in 1974 and 1975, is provided by Table 9. Some of the data presented in this table, although believed to be helpful in the present context, must be viewed with considerable caution. Most of the key aggregates represent summations of the developing countries' own balance of payments statistics, but part of the detail injected into that framework has been drawn from records of the creditors or providers of aid. Since discrepancies of classification or timing are frequently apparent between the records of the paying and receiving countries (or international agencies) involved, it is not possible to be sure that distortions and inconsistencies have been eliminated. Despite these reservations, however, Table 9 is believed to give a broadly valid picture of the key features of recent developments in financial flows to the non-oil developing countries.

The table shows a record of striking contrast between a moderate and progressive growth of net borrowing by the non-oil developing countries during the half-dozen years through 1973 and a sudden escalation thereafter. In 1975, moreover, heavy borrowing was supplemented by a limited use of reserves (totaling about $1 billion) to provide the needed current account financing, in

Table 9. Non-Oil Developing Countries: Financing of Current Account Deficits, 1968–75

(In billions of U.S. dollars)

	1968	1969	1970	1971	1972	1973	1974	1975
Current account deficit [1]	6.8	5.9	8.7	11.4	9.2	9.9	28.4	37.0
Financing through transactions that do not affect net debt positions	3.1	3.3	3.8	4.5	5.1	7.8	9.1	10.0
Net unrequited transfers received by governments of non-oil developing countries	1.8	1.8	1.9	2.2	2.3	4.4	4.9	6.1
Direct investment flows, net	1.3	1.5	1.2	1.7	2.2	3.4	4.2	3.9
SDR allocations and gold monetization, net	—	—	0.7	0.6	0.6	—	—	—
Net borrowing and use of reserves [2]	3.7	2.6	4.9	6.9	4.1	2.1	19.3	27.0
Reduction of reserve assets (accumulation, —)	−1.3	−1.2	−2.2	−1.3	−6.4	−8.1	−2.5	0.8
Net external borrowing [3]	5.0	3.8	7.1	8.2	10.5	10.2	21.8	26.2
Long-term loans received by governments from official sources, net	2.6	2.8	3.1	3.3	3.6	5.1	7.6	12.6
Other long-term borrowing from non-residents, net	1.0	1.1	1.9	2.6	4.4	4.5	8.7	9.3
From private banks abroad	*0.3*	*0.4*	*0.4*	*1.2*	*2.1*	*3.7*	*7.0*	*8.5*
Through suppliers' credits	*0.7*	*0.8*	*0.7*	*0.2*	*0.3*	*0.3*	*0.8*	*1.3*
Other sources [4]	—	*−0.1*	*0.8*	*1.2*	*2.0*	*0.5*	*0.9*	*−0.5*
Use of reserve-related credit facilities, net [5]	0.2	—	−0.4	—	0.4	0.2	1.3	3.4
Other short-term borrowing, net	0.6	0.7	1.7	1.6	0.5	0.2	4.3	2.9
Residual errors and omissions [6]	0.6	−0.8	0.8	0.7	1.6	0.2	−0.1	−2.0

Sources: Fund balance of payments records and staff estimates.

[1] Net total of balances on goods, services, and private transfers, as defined for *Balance of Payments Yearbook* purposes (with sign reversed).

[2] I.e., financing through changes in net debt positions (net borrowing, less net accumulation—or plus net liquidation—of official reserve assets).

[3] Includes any net use of nonreserve claims on nonresidents, errors and omissions in reported balance of payments statements for individual countries, and minor deficiencies in coverage.

[4] Including errors and residuals which arise from the mismatching of data taken from creditor and debtor records.

[5] Comprises use of Fund credit and short-term borrowing by monetary authorities from other monetary authorities.

[6] Errors and omissions in reported balance of payments statements for individual countries, plus minor deficiences in coverage.

contrast with the pattern prevailing in the late 1960s and the earlier 1970s, when substantial accumulations of reserve assets, as well as the prevailing current account deficits, had been financed through inflows of capital and aid.

A particularly notable feature of the financing record shown in Table 9 is the degree to which the large increase in capital inflows after 1973 came through relatively novel channels—i.e., from sources on which the non-oil developing countries had previously relied to only a limited extent. The predominance of market borrowing, particularly from commercial banks, is an especially noteworthy aspect of this development. Because of the relatively high cost and shorter average maturity of much of the credit thus obtained (by comparison with the terms of traditional developmental loans), increases in debt service charges and in the amounts of gross borrowing required to finance a given current account deficit are thus clearly implied.

In part because of the upsurge in market borrowing, the composition of financial flows to the non-oil developing countries has changed considerably in recent years. These flows include several major components that traditionally have made a substantial contribution to the financing of current account deficits while not giving rise to either debt changes or reductions of external assets. These components, among which the most important are grant aid receipts and equity capital inflows in the form of direct investment by foreign enterprises, have long represented a relatively stable element in the balance of payments structure of the capital-importing countries under review. Over the six years prior to 1974, the nondebt flows contributed more than one half of the required current account financing, but their share in the total dropped abruptly in 1974 and 1975 even though they continued to rise moderately in absolute terms. In 1975, these sources provided \$10 billion of the \$37 billion needed to finance the estimated current account deficit of the non-oil developing countries, and they may be expected to furnish at least that much again in 1976.

Of the remaining \$27 billion of financing in 1975, some \$4 billion came from a combination of reserve asset liquidation and reserve-related official borrowing, including substantial use of Fund credit, particularly under the oil facility.[4] The largest single source of borrowed funds, however, was the inflow of development loans received by governments from foreign official lending agencies and international financial institutions (other than the Fund). In the past decade or so, such loans have represented a rather steadily rising source of financing, not ordinarily sensitive to cyclical or other short-term variations in total external borrowing requirements. In 1974, for example, these loans provided only about one third of the \$22 billion borrowed abroad, compared with one half in 1973 and larger proportions in most other years since the mid-1960s. In 1975, however, there was a marked acceleration of disbursements of official development loans under previous commitments, including a surge of disbursements under commitments made by the oil exporting countries. This acceleration, coupled with the emergence of arrears on scheduled repayments by some developing countries, resulted in a strong expansion of net inflows in this category. Reaching \$12½ billion in 1975, they again accounted for almost half of all net borrowing by the non-oil developing countries.

In both 1974 and 1975, long-term private (and government enterprise) borrowing from private banks abroad provided much larger inflows than in any earlier years. Indeed, as foreign commercial banks also furnished much of the short-term credit shown in Table 9, net credit extended by these banks to the non-oil developing countries in both of the past two years probably exceeded the net total of borrowing by such countries from all sources in any year prior to 1974. This increased availability of finance through banking channels reflected, of course, both the recycling of oil exporters' surpluses through such channels and the dampening effect of the international recession on competing demands for bank loans in the industrial countries.

In terms of the general picture for 1976, the financing that may be expected through direct investment capital, official grants, and development loans from foreign governments and international agencies should again be of the order of \$23 billion. Therefore, a decline of some \$5 billion in the combined current account deficit of the non-oil developing countries would mean that the need for financing from all other sources would fall from about \$14 billion in 1975 to \$9 billion in 1976. Within this residual category of financing, the use of Fund credit is expected to play a significant role, relatively more important than in 1975.

The moderate current account improvement now in progress for 1976—concentrated mainly in the Latin American and Caribbean area—does not alter the difficult and vulnerable external financial position in which many non-oil developing countries have been placed by the events of the past few years. These countries have borrowed heavily to maintain the flow

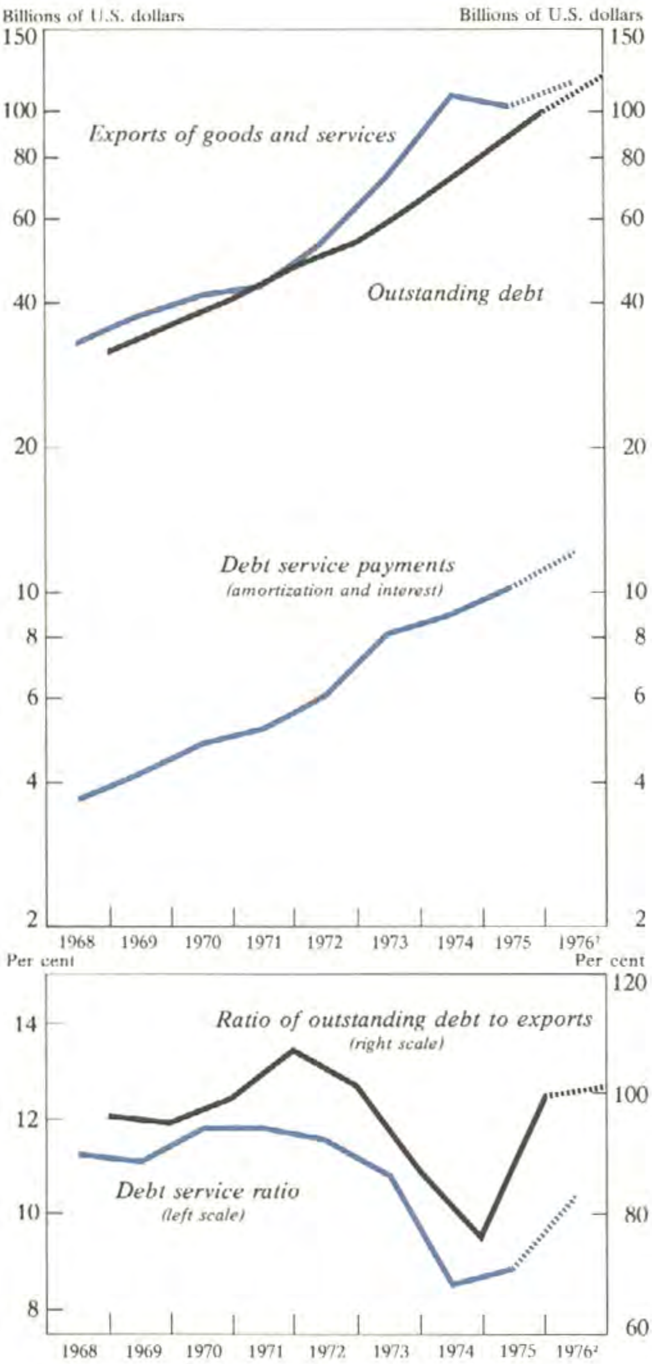
[4] The concept of "reserve-related credit facilities" used in Table 9 is a relatively narrow one, encompassing, in addition to use of Fund credit, only short-term balance of payments financing transactions in which the liabilities of a borrowing monetary authority are presumably treated as reserve assets by the creditor country. This approach recognizes both (1) the desirability, in a context of multicountry balance of payments summations, of symmetrical definitions of reserve assets and reserve-related liabilities, and (2) the practical difficulty of making unambiguous distinctions between external borrowings that are undertaken for residual balance of payments financing purposes and those primarily for other purposes.

of imports and avoid undue interruption of development programs or impairment of living standards. Consequently, in a number of cases, their outstanding external debt and debt service payments are rising again to rather high levels in relation to current and immediately prospective export earnings. (See Chart 7.) Moreover, there has been considerable reliance on commercial bank financing at higher cost and shorter average maturity than the types of credit—chiefly from national and international development assistance agencies—that predominated in the financing of current account deficits of non-oil developing countries prior to 1974. The burden of carrying and amortizing the huge amount of outstanding debt may grow for a year or two beyond the horizon of the present projections as grace periods for amortization payments on recent heavy borrowings expire; this possibility of a further increase in the proportion of export earnings absorbed by debt service payments will weigh unevenly on the balance of payments situations of various countries.

To date, few countries have found the problems of servicing their external debts unmanageable, partly because of the mitigating effects of inflation on previously incurred debt. Many borrowing countries, however, have become potentially vulnerable to any significant change in their access to external credit, or to any seriously adverse shift in their export earnings. This vulnerability is heightened by the eroding effects of inflation on the real value of external reserves, which are now quite low in relation to current and prospective imports. The degree to which potential difficulties can be avoided will depend crucially on the evolution of the world economy and the growth of export earnings of the non-oil developing countries. It will also depend, in a good many individual cases, on the adoption of stabilization programs to adjust the balance of payments position. Other important factors affecting the ability of developing countries to deal with external adjustment problems will clearly include the extent to which official development assistance and access to capital markets can be maintained or increased.

The impact of the 1974–75 international recession on the non-oil developing countries has by no means been confined to the balance of payments and external indebtedness. Rates of domestic economic growth have slowed down, either because of the repercussions of adverse export developments upon domestic incomes and activity or bcause of reduced ability to procure imports needed for development projects and private capital investment. These unwelcome effects of the recession, however, have been accompanied by a widespread easing of inflationary pressures. Lower rates of increase in import prices, the general elimination of gains in foreign exchange reserves as a source of domestic monetary expansion, and emergency of slack in utilization of productive capacity have all contributed to that result, as have bumper crops in some countries.

Chart 7. Non-Oil Developing Countries: Debt and Debt Service Ratios, 1968–76[1]



Sources: IBRD Debtor Reporting System and Fund staff estimates.

[1] The debt and debt service figures plotted in this chart relate only to medium-term and long-term external public, or publicly guaranteed, debt, as defined in the Debt Reporting Statistics of the IBRD.

[2] Fund staff projections.

Also important in the easing of inflationary pressures have been the adjustments of fiscal and credit policies made by a number of developing countries to curb domestic demand and/or to protect their balance of payments positions. Stabilization programs were adopted by several Asian countries even before the end of 1974, and the policies pursued have been successful both in reducing inflation and in fostering growth. A number of Western Hemisphere countries adopted stabilization programs during the second half of 1975 or early 1976. In Africa and the Middle East, a high proportion of the non-oil countries attempted throughout 1974 and most of 1975 to maintain the momentum of development programs in the face of adverse shifts in export earnings or to protect domestic consumers against the impact of higher import costs on living standards. With these aims, they followed policies that brought enlarged fiscal deficits, rapid increases in domestic liquidity, and aggravation of existing or emerging pressure on prices and external payments positions. However, quite a large number of African and Middle Eastern non-oil countries are turning to more restrained fiscal and credit policies in 1976, partly under the impetus of programs envisaged in connection with utilization of Fund resources.

Uncertainties resulting from wide swings in exchange rates for major currencies have created problems for some developing countries during the past year. A number of countries have severed previous links with the pound sterling or the U.S. dollar in order to avoid undesired depreciation or appreciation of their own effective exchange rates, and quite a few have sought steadier pegs in terms of the SDR or of some more individually selected basket of currencies. Except in Africa and certain Latin American countries, resort to trade and payments restrictions has been restrained and uncommon despite the severity of the payments difficulties in many cases.

More Developed Primary Producing Countries

The countries in this group, although widely scattered geographically and diverse with respect to a number of basic economic characteristics, are heavily dependent in most cases upon foodstuffs and crude or semiprocessed industrial materials for their export earnings. Another characteristic common to most of them is a balance of payments structure of current account deficits financed by capital imports. These characteristics have caused the more developed group of primary producing countries to share with the (non-oil) developing countries several of the more obvious effects of inflation and recession in the industrial world and of increases in oil and other import prices. For similar reasons, the more developed group is also sharing in the effects of the economic upswing now under way in the main industrial countries.

Like the non-oil developing countries, the more developed primary producers borrowed heavily in international financial markets to cover very large current account deficits—averaging some $14½ billion a year (Table 6)—in 1974 and 1975. They also drew down their net external reserve position quite sharply. External indebtedness and the prospect of markedly higher debt service payments have thus become significant problems for a number of the more developed primary producers. As a group, however, they enjoy relatively good access to international financial markets and have a considerable capacity—because of their relatively high real incomes—to make adjustments through restraint of imports and acceptance of slower economic growth.

Measures designed to curb inflation and to cope with balance of payments strains have, in fact, been adopted by most of the countries covered in the classification of more developed primary producers. The impact of these measures has reinforced the cumulative effects of the international recession in slowing domestic output growth, as noted earlier, to rates far below those prevailing before the downturn. These developments also brought a slight easing of inflation rates in 1975 and a strong probability of more noticeable abatement of price pressures in 1976. Through midyear, however, rates of inflation in the more developed primary producing countries remained well above those in the industrial countries, as they did throughout the recession period.

With renewed expansion of exports accompanying the recovery of demand in major foreign market areas, and with their own import demands still slack until domestic activity regains a strong upward momentum, the more developed primary producers may well reduce their aggregate current account deficit in 1976. This development would permit a substantial reduction of their net external borrowing only if they were willing to continue drawing heavily on their international reserve assets for part of the implied financing. However, the comparatively low level (in relation to current imports) to which the total reserve holdings of these countries had dropped by the end of 1975 casts doubt on the feasibility of further substantial drains. Reserves were in fact maintained during the first five months of 1976, and the current account deficit of that period was covered by borrowing. The need for continued large-scale external financing puts a premium on prudent management of financial policies in the more developed primary producing countries for some time to come.

Chapter 2
Exchange Rates and International Liquidity

A. Developments in Exchange Rate Arrangements

Exchange Rate Practices

The proposed amendments to the Articles of Agreement, approved by the Board of Governors in April 1976—and now awaiting acceptance by members—will permit countries considerable freedom in their choice of exchange arrangements. The proposed Article IV, Section 2(*b*), states that under present circumstances "exchange arrangements may include (i) the maintenance by a member of a value for its currency in terms of the special drawing right or another denominator, other than gold, selected by the member, or (ii) cooperative arrangements by which members maintain the value of their currencies in relation to the value of the currency or currencies of other members, or (iii) other exchange arrangements of a member's choice." In place of express provisions on exchange practices, the proposed article emphasizes the general obligation of members to collaborate with the Fund and with other members to assure orderly exchange arrangements and to promote a stable system of exchange rates. In fulfilling this obligation, members would follow exchange rate policies compatible with agreed objectives of economic and financial stability and the effective working of the adjustment process.

The formal recognition of greater freedom in choice of exchange arrangements reflects an increasing diversity in members' exchange practices since the adoption of floating by most major countries early in 1973. (See Appendix I, Table I.1.) Last year's Annual Report classified the exchange rate practices of members into five major categories, according to the particular variant of pegging or floating being used. Such a classification, however, cannot adequately reflect the wide variety of specific exchange practices now employed. Furthermore, the label applied to a country's exchange arrangement can be a misleading guide to the actual policy being followed. Currencies that are officially floating are often managed (sometimes at the cost of large changes in reserves) to achieve a result that may be little different from formal pegging. Conversely, with countries that maintain a formal peg, frequent adjustment of the peg, or relatively wide margins within which a currency is allowed to fluctuate around its peg, may be used to obviate policy changes or reserve movements that might otherwise have been necessary to maintain the pegged value.

The past year has witnessed a tendency toward greater diversity in exchange rate practices among members, and also some movement toward arrangements that permit greater flexibility in determining rates. For example, a number of countries whose currencies were pegged to those of single major countries, in particular to sterling, found it difficult or undesirable to keep in step with exchange rate movements of the peg currencies. Among such countries there was a tendency to alleviate these difficulties by changing the currency to which they pegged, by switching to a peg on the SDR or on a trade-weighted basket of currencies, or by a greater willingness to change the level of the peg on their intervention currency. Among countries that pursue mutual intervention arrangements, tensions developed and resulted, in March 1976, in the termination of the special arrangement between the Benelux currencies and the departure of the French franc from the European common margins arrangement (the "snake").

Faced with substantial uncertainty concerning future balance of payments developments and exchange rate patterns, and aware of the persistence of marked differences among national economies, particularly with respect to rates of inflation, interest rates, and levels of economic activity, as well as of structural changes, the major industrial countries have continued to permit their currencies to float. Indeed, as underlying economic conditions have continued to differ among countries whose currencies are floating, frequent exchange rate variations have been a major form of balance of payments adjustment. Even those countries that have attempted through heavy reserve use to manage the development of the exchange rate for their currencies have at times had to allow their rate to change quite substantially.

Experience in the past year has underlined the difficulty of sustaining a particular pattern of exchange rates in the face of strong market pressure for change. The existence of formal exchange rate relationships, or the informal pursuit of a stable exchange value through rate management, can certainly strengthen a tendency toward stabilizing capital flows when the rate being maintained or pursued is judged by the market to be consistent with underlying equilibrium, and when there is belief in the determination and ability of the authorities to achieve their objective. However, experience has also demonstrated the difficulties of maintaining specific exchange rates when the underlying economic and financial policies of the countries concerned are not thought to be sufficiently harmonized.

Countries have tended to emphasize arrangements that permit more flexibility in rates in response to changes in economic circumstances. At the same time, there has been a growing recognition that domestic policies must be directed toward economic stability as a prerequisite for exchange stability. A central theme of the Rambouillet summit of November 1975 was the need for countries to follow policies that promote the kind of domestic economic conditions that contribute to world monetary stability. The proposed new Article IV on exchange arrangements similarly emphasizes the obligations of member countries to "promote stability by fostering orderly underlying economic and financial conditions and a monetary system that does not tend to produce erratic disruptions."

Several heavily interdependent European countries have continued their arrangement to limit mutual rate movements within a narrow band, which itself floats against other currencies.[1] Under this arrangement, when the exchange rate between the currencies of two participating members reaches the permitted margin of fluctuation around its central rate parity (±2¼ per cent), each country agrees to intervene in the currency of the other to prevent movement of the rate beyond the margin; intervention may also take place in dollars. This arrangement, however, has not always proved strong enough to resist the strains placed on it, and four former participating countries were outside the arrangement at mid-1976.

[1] The participants in the European common margins arrangement on June 30, 1976 were Belgium/Luxembourg, Denmark, the Federal Republic of Germany, the Netherlands, Norway, and Sweden. France, Ireland, Italy, and the United Kingdom had previously participated in the arrangement, but had withdrawn.

Exchange Rate Developments

By mid-1976 the major industrial countries had been operating under a more flexible exchange rate regime for a period of over three years. It begins to be possible, therefore, to have more perspective on the characteristics of the present flexible exchange rate regime, and in particular to judge how this regime has developed over time.

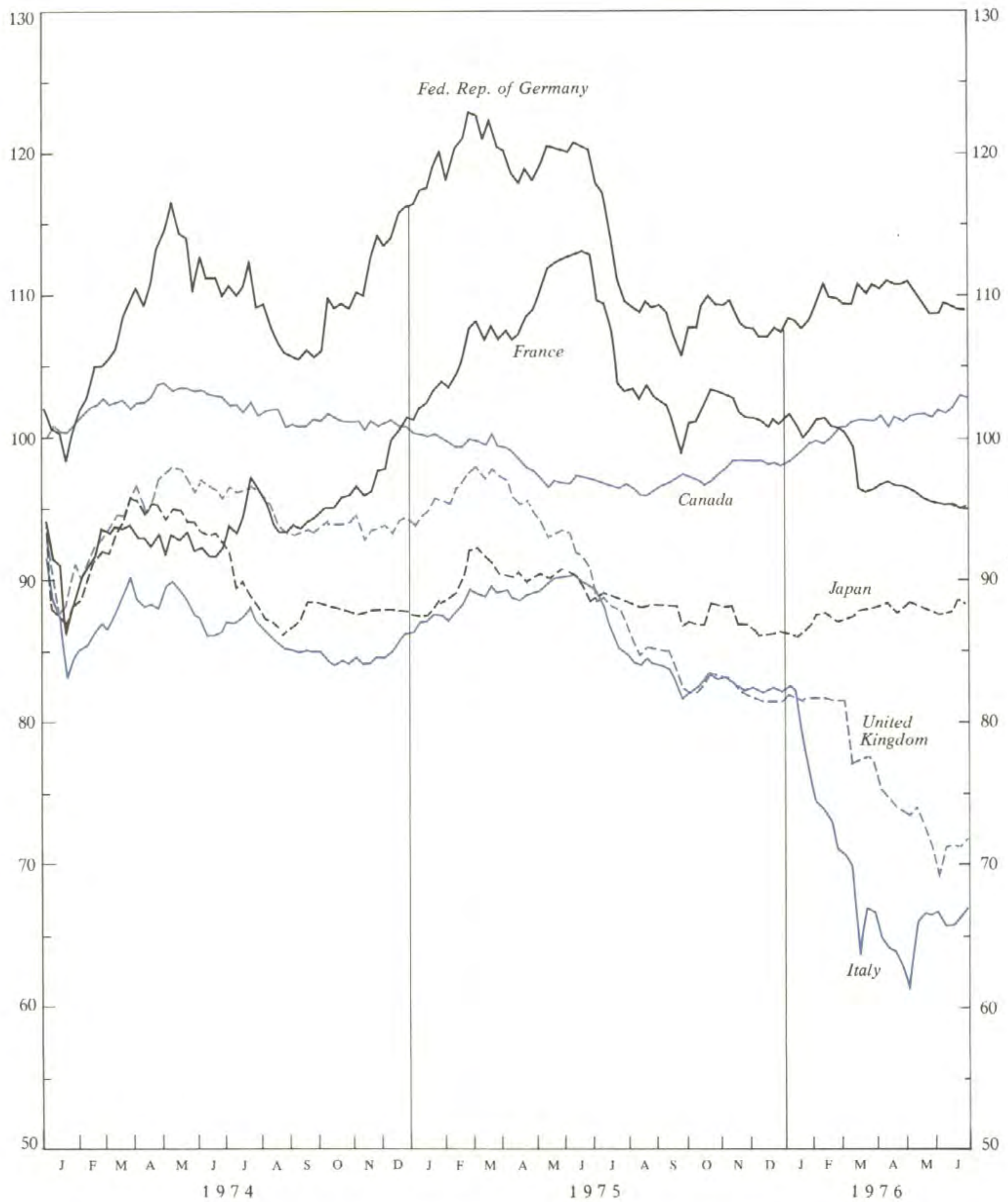
Although a majority of member countries continue to peg their currencies in some fashion, the countries allowing their currencies to float dominate world trade and financial transactions. The following analysis will therefore focus on developments in the exchange rates for the currencies of these major industrial countries. Chart 8 shows changes in the dollar value of the six major currencies from 1973 through the first several months of 1976.

Although all countries have at times intervened in their foreign exchange markets, the degree of intervention has differed greatly among countries. Taken as a group, the snake countries have intervened relatively little vis-à-vis nonparticipants. Intervention by the United States has been infrequent and in small amounts, apart from purchases of foreign currencies to repay swap debts incurred earlier. Canada has engaged in active intervention, but this has not resulted in substantial net changes in reserves. The other major industrial countries and the snake countries individually have at times intervened quite heavily in pursuit of their exchange market objectives.

The behavior of governments with respect to exchange rates remains a matter of international concern and a matter for consultation and surveillance in the Fund. The proposed new Article IV contains general obligations relating to the overall economic policies that members are expected to pursue, and gives the Fund duties to oversee the compliance of each member with these obligations, regardless of the particular exchange arrangement it follows. In particular, the Fund is to exercise firm surveillance over the exchange rate policies of members, and to adopt specific principles for the guidance of all members with respect to those policies. These principles have yet to be worked out. In the meantime, the requirement of collaboration contained in the present Articles continues to apply. Collaboration takes place within the context of the central rate decision for members within its terms, and in the framework of the "Guidelines for the Management of Floating Exchange Rates" adopted by Executive Board decision in June 1974 for members with floating rates. These guidelines focus on three aspects of the functioning of exchange markets, namely, (i) the stability of exchange rates in the very short term (day-to-day and week-to-week); (ii) fluctuations in exchange rates over periods

Chart 8. Exchange Rates Against the U.S. Dollar, January 1974–June 1976 [1]

(Weekly data, February 1973 = 100)



[1] Based on Wednesday noon spot quotations in New York.

Table 10. Average Weekly Changes in Selected Effective Exchange Rates, Third Quarter 1973–Second Quarter 1976
(In per cent)

	1973		1974				1975				1976	
Country	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter[1]
Belgium	0.64	0.49	0.31	0.38	0.33	0.25	0.62	0.31	0.43	0.14	0.43	0.34
Canada	0.23	0.24	0.42	0.23	0.39	0.23	0.30	0.32	0.29	0.26	0.31	0.34
France	0.94	0.58	0.93	0.67	0.66	0.53	0.39	0.46	0.60	0.29	0.46	0.24
Germany, Fed. Rep. of	1.32	0.47	0.71	1.10	0.46	0.67	0.56	0.34	0.51	0.35	0.70	0.34
Italy	0.82	0.48	0.72	0.67	0.22	0.35	0.22	0.16	0.19	0.11	2.31	1.69
Japan	0.55	0.46	1.02	0.52	0.75	0.37	0.47	0.39	0.37	0.21	0.35	0.32
Netherlands	0.79	0.66	0.57	0.52	0.46	0.27	0.29	0.27	0.32	0.16	0.17	0.28
Switzerland	1.39	0.57	1.01	0.93	0.72	1.21	1.05	0.54	0.55	0.41	0.55	1.24
United Kingdom	0.82	0.57	1.06	0.38	0.34	0.43	0.31	0.59	0.61	0.24	0.67	1.17
United States	0.69	0.55	1.03	0.44	0.50	0.34	0.55	0.22	0.59	0.26	0.26	0.18

[1] Preliminary.

of several months or quarters; and (iii) the adjustment of exchange rates to underlying changes in balance of payments positions. Member countries engaging in intervention are also expected to bear in mind the interests of other members, including those of the issuing countries in whose currencies they intervene. Furthermore, the guidelines reassert that all countries, whether or not they have floating currencies, should avoid introducing restrictions on current account transactions for balance of payments purposes.

Day-to-Day and Week-to-Week Fluctuations

A tendency toward smaller day-to-day and week-to-week exchange rate fluctuations has characterized the pattern of floating over the past year, by comparison with the previous two years.

The largest daily and weekly fluctuations tended to occur during periods when longer-run pressures were also influencing exchange developments. In July 1975, for example, when the currency band of the European common margins arrangement was experiencing a depreciation against the dollar, daily changes in the dollar value of the deutsche mark were as great as 1.3 per cent, with weekly declines of up to 2.5 per cent. Both of these maximum changes were, however, less than those observed during comparable periods of overall exchange rate adjustment in mid-1973 and mid-1974.

In addition, the pattern of daily changes over the past 12-month period has differed somewhat from that of previous periods of substantial exchange rate movement. In the more recent period, day-to-day movements in exchange rates have tended to conform to the longer-run movements. During the strong appreciation of the currencies in the European common margins arrangement against the U.S. dollar in late 1974 and early 1975, however, daily exchange rate movements tended to be more variable. An exception to the more recent pattern is to be found in the experience of those currencies, particularly the lira and the pound sterling, for which the exchange rate was relatively stable for a substantial period of time. When market developments eventually led to adjustment in the exchange rates of these currencies early in 1976, daily rate movements were at times quite erratic.

An analysis of daily and weekly changes in the dollar value of currencies concentrates attention on a single (albeit important) exchange rate for each currency, and thus does not reflect the impact of fluctuations in other currency relationships. To derive a more general measure of exchange rate variability, it is necessary to compile an exchange rate measure that expresses the value of a country's currency relative to a suitably weighted average of representative currencies, rather than relative to its intervention currency alone, with the weights chosen so as to reflect the importance of these currencies to the country in question. Average weekly changes in such "effective" exchange rates for ten major industrial countries are shown in Table 10.[2]

The table indicates that there has been some tendency for the size of week-to-week changes in effective exchange rates to diminish over the three-year period taken as a whole. It can also be seen, in conjunction with Chart 10, that average movements have tended to be larger in periods during which countries were experiencing a substantial realignment in their exchange rates.

In principle, the uncertainty introduced into the process of international payments by daily and weekly

[2] The weights for calculating the effective exchange rates used in Table 10 are from the Fund's multilateral exchange rate model, as described below. For short-term movements in exchange rates, alternative weighting schemes show a very similar pattern.

volatility of spot exchange rates should give rise to a sufficiently large forward market to finance those trade and financial transactions that would otherwise be inhibited by this uncertainty. Although evidence on the efficiency with which forward markets are operating is notoriously difficult to obtain, some indication of the depth of the forward market can be gained from an inspection of the spread between buying and selling rates that banks quote for forward currency. These bid-ask spreads are generally quite small relative to the forward premia or discounts; over the past year, their size has decreased somewhat, although they have tended to widen sharply during periods of relatively greater exchange rate uncertainty. In March 1976, for example, the spread doubled on both the forward French franc and the forward lira with respect to sterling. In comparison with earlier periods of disturbance in foreign exchange markets (for example, late 1973), recent increases in forward spreads have been of smaller magnitude.

Short-Term Swings

Although the exchange value of currencies of major industrial countries continued to exhibit noticeable swings lasting over a period of a few months or even quarters, the magnitude of these swings tended to be somewhat less over the past year than in the previous two years of floating. Furthermore, the oscillatory movements in the dollar/snake rates, which had been a feature of earlier experience with exchange rate flexibility, became less pronounced. Although the reasons for these exchange rate movements have differed from one period to another, some basic kinds of behavior can be identified as the proximate causes for their initiation and duration.

Changes in interest rate differentials between countries and expected returns from exchange rate movements are commonly held to be important factors affecting the relative attractiveness of holding different currencies, and thus developments in the spot exchange rate. These factors respond both to underlying economic conditions and to changes in official policies taken in response to such conditions. If there are a sufficient number of transactors willing to invest funds on the basis of their expectations, the effect on exchange rates of changes in policies that influence interest rate differentials should reflect the magnitude of these changes and expectations as to the duration of the policies. Whether the policy is expected to be a short-run response to cyclical developments or a more permanent reorientation should determine the extent of exchange rate movement needed to preserve equilibrium in the foreign exchange market.

Chart 9 illustrates the relationship between interest rate differentials and exchange rates for the United States and the Federal Republic of Germany. (The exchange rate and interest rate of the Federal Republic of Germany are here taken as broadly representative of conditions in the money and exchange markets in the snake countries taken as a group.) During 1975 and 1976, the correlation between interest differentials and exchange rates tended to be closer than in previous periods, when factors other than interest rate change (in particular, reactions to the oil price increase) tended to have greater relative importance.

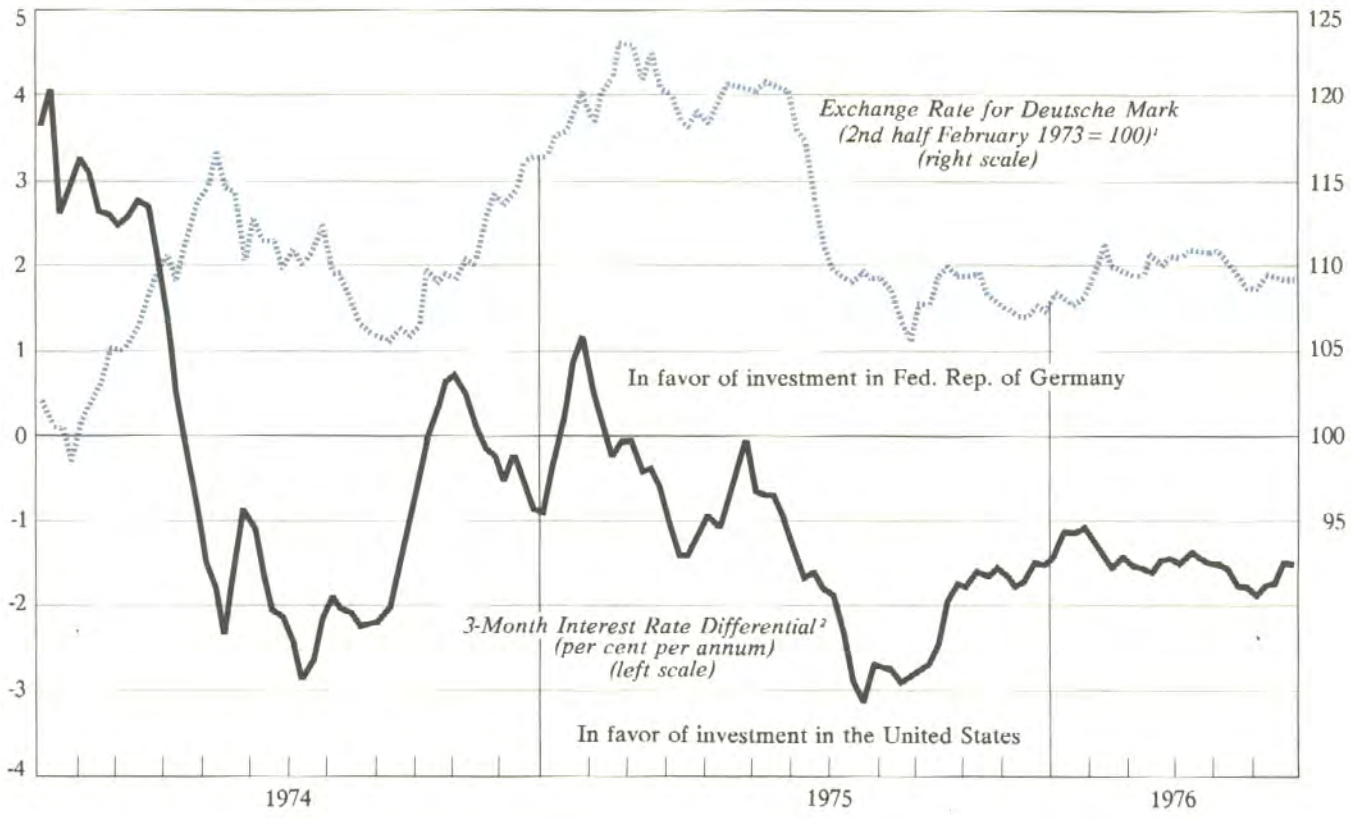
Apart from relative interest rates, a number of other factors also affect exchange rates, chiefly the degree of political stability, longer-term balance of payments prospects, and the stance of other domestic economic policies. The effect of pressures from such sources may at times be strong in comparison to the effect of relative interest rates.

As already pointed out, changes in the market rate for individual currencies against the U.S. dollar are not necessarily the best guide to the overall exchange value of the currencies concerned. Since for most purposes of analysis interest focuses on the implications of exchange rate movements for a country's overall competitive position, the following discussion of movements in individual currencies will be conducted in terms of the effective exchange value of each currency. The indices resulting from two methods of assigning weights to various currencies for the purpose of deriving effective exchange rates are shown in Chart 10. The first (in blue) is from the Fund staff's multilateral exchange rate model, which embodies assumptions that attempt to take into account in the calculation of a country's effective exchange rate the commodity composition of its trade, and the relative importance of other countries as trading partners and as competitors in third markets. The second (in black) reflects a weighting scheme based on the relative importance of 21 countries in the bilateral trade of each of the countries for which the index is computed.

The past year saw a considerable increase in the effective (i.e., weighted average) exchange value of the *U.S. dollar,* with movements in the rate being broadly similar under both weighting systems just mentioned. The strengthening of the dollar in the middle part of 1975 was associated with a number of factors, including a change in interest differentials favoring the dollar. The rise in the dollar stopped in October, and subsequently, when there was a narrowing of interest differentials, the rate stayed within a relatively narrow band until early in 1976. Then, the exchange crisis that led to substantial declines in the rates for the lira and pound sterling and prompted France to withdraw from the European common margins arrangement caused some further upward movement in the rate for the U.S. dollar. By the end of May 1976, the effective exchange

Chart 9. Interest Rate Differential and Exchange Rate: The Federal Republic of Germany and the United States, January 1974–June 1976

(Weekly data)



[1] Based on Wednesday noon spot quotations in New York.
[2] The interest rates used are the weekly average three-month Frankfurt money market rate for the Federal Republic of Germany and the weekly average rate on prime commercial paper (90-119 days) for the United States.

rate for the dollar was some 6 to 9 per cent above that of a year earlier (depending on the index of measurement employed).

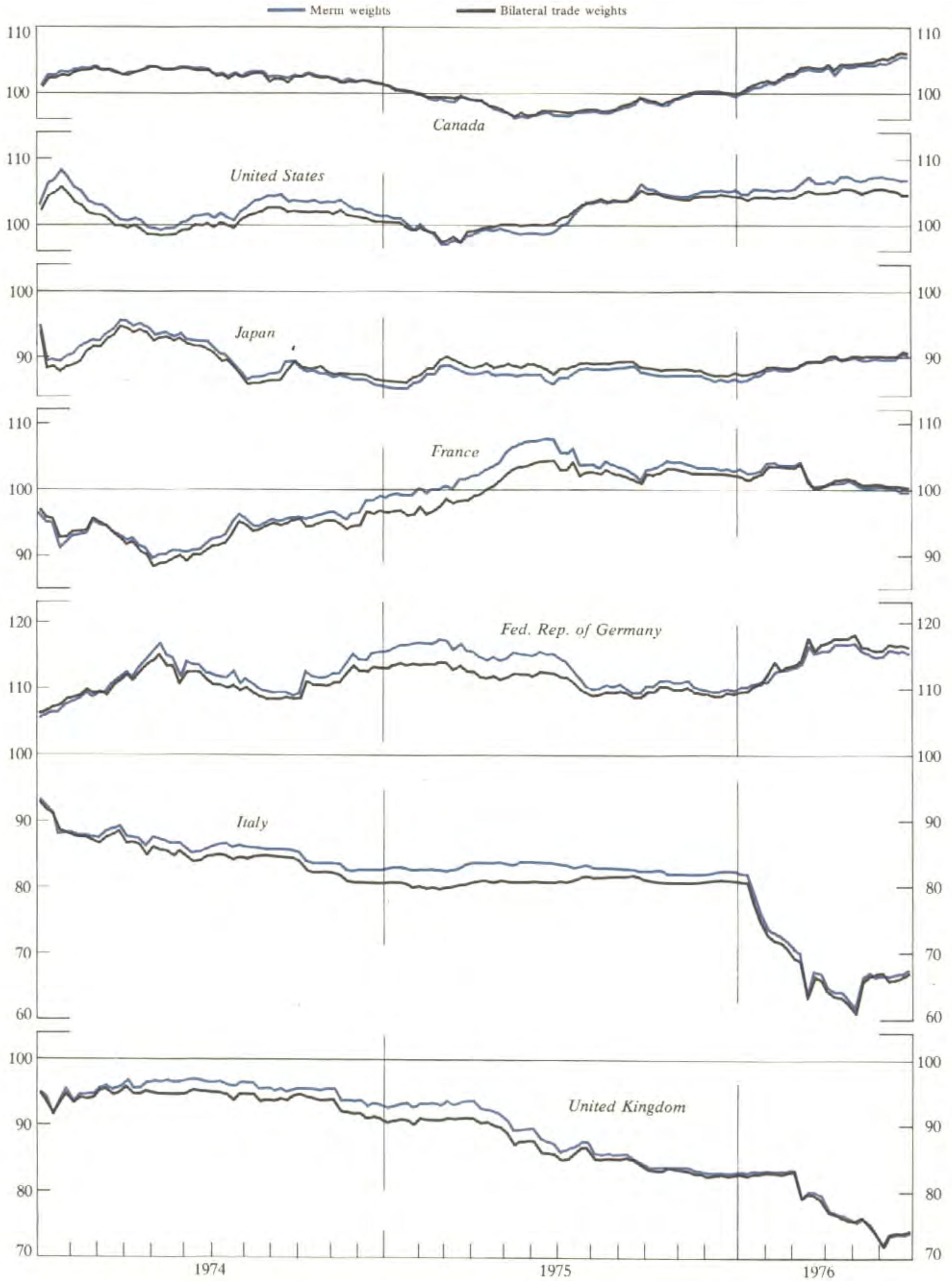
In the early part of the year under review, the strength in the effective exchange rate for the dollar was mirrored by a weakness in the effective exchange rate for the *deutsche mark.* The same basic causes can be adduced to explain the changes that occurred, since the exchange rates for the currencies of the other main trading partners of the Federal Republic of Germany were moving in a relatively narrow range. In 1976, however, the sharp falls in the exchange value of the lira and sterling and, to a lesser extent, the French franc caused a strong upward movement in the effective exchange rate for the deutsche mark. This upward movement was considerably stronger than that for the dollar, less because of the change in the dollar/deutsche mark rate than because the three European currencies just mentioned have a greater relative weight in the currency basket used to calculate the effective exchange rate for the deutsche mark than in that for the dollar. Thus, after falling by about 6 per cent from June to September 1975, the deutsche mark remained relatively stable until the end of the year, and then appreciated by about 5 per cent in the first six months of 1976.

For the smaller members of the European common margins arrangement (not shown in Chart 10), effective exchange rates moved narrowly over the year. This is so because their effective exchange rates are influenced to a relatively greater extent by movements in the rates of their partner currencies in the arrangement. However, they too shared in the appreciation resulting from the decline of the lira and pound sterling, and the departure of the French franc from the arrangement.

The effective value of the *pound sterling* declined gradually during the early and middle part of 1975—maintaining a fairly constant rate against other European currencies, while these currencies as a group were depreciating relative to the North American currencies and the Japanese yen. When this depreciation ceased, around October 1975, the pound's effective value fluctuated in a fairly narrow range until early March 1976,

Chart 10. Indices of Effective Exchange Rates of Major Industrial Countries, January 1974–April 1976

(Weekly data, February 1973 = 100)



when a sharp decline began, amounting to about 10 per cent over the following three months. This decline occurred despite considerable intervention, and the rate stabilized only after announcement of a large international stand-by facility.

The *Italian lira,* in 1975, followed a middle course between the U.S. dollar and the major European currencies, and hence sustained, on balance, no net depreciation in its effective exchange rate. This stability was achieved despite a relatively high domestic inflation rate, and owed much to an improved current account performance, as well as to considerable intervention in the exchange market. Early in 1976, however, owing partly to political uncertainties, there was a sharp fall in the lira's effective value. In the first four months of the year, the decline amounted to 25 per cent, but then the announcement of strong measures to absorb liquidity and curb capital outflows permitted some recovery.

Movements in the effective rate for the *French franc* during 1975 and 1976 were heavily influenced by French policy in relation to the franc's membership of the European snake. In the first half of 1975, when the franc was moving toward a return to the snake at its previous central rate, there was quite a strong appreciation, amounting to about 9 per cent. Following its return, it declined somewhat over the following three months, along with the other European currencies, and then stabilized until March 1976, when, despite heavy intervention, selling pressure led to its departure from the common margins arrangement. By the end of June 1976, the effective exchange rate of the franc was about 4 per cent below its level three months earlier, and some 8 per cent below its high point in the previous June.

The *Japanese yen* fluctuated within a rather narrow range for the entire period under review, and intervention policy appears to have contributed to this result. After very little net movement during the second half of 1975, the effective exchange rate for the yen began to move up gradually in the opening months of 1976—the counterpart of the fall in the three currencies discussed immediately above. By the middle of 1976, the effective rate was about 4 per cent higher than a year earlier.

The *Canadian dollar* showed a weakening trend against the U.S. dollar in the early part of 1975, but thereafter strengthened continuously, despite a marked increase in the current account deficit, under pressure of strong capital inflows arising mainly from long-term borrowing by Canadian provinces and corporations. Since the U.S. dollar dominates the overall effective rate for the Canadian dollar, a similar trend is discernible in movements of the effective rate. By June 1976, this rate was some 8 per cent higher than its low point in mid-1975, despite some net intervention to moderate the rise.

As noted earlier, most *nonindustrial countries* continued to peg their exchange rates in some fashion and the movements of their exchange rates during the year were therefore dictated by the choice of peg. Those (the largest single group) which pegged on the U.S. dollar experienced a fairly sustained appreciation in their rates against non-dollar currencies throughout the middle of 1975 and reasonably stable rates thereafter. The movements in the middle part of the year were representative of the forces which led some countries to switch from the dollar to another peg or to turn to a floating arrangement. The countries which have maintained a peg on the SDR or on a basket of currencies have been able to avoid substantial fluctuations in the weighted average of their exchange rates vis-à-vis major trading partners.

A number of currencies of nonindustrial countries were officially listed by the Fund as floating, although several of these countries tended to keep a rather close alignment of their currencies with one of the major currencies or the SDR. Certain others, which experienced high rates of inflation, changed their exchange rates periodically according to a set of indicators, so as to offset or mitigate the effects of relative price movements on their competitive position.

Exchange Trends and Competitiveness

In the longer run, conditions determining long-term capital flows and developments in competitiveness of an economy are likely to be the principal factors affecting the trend of exchange rate movements. The extent to which a country attracts long-run capital flows is likely to depend on such factors as location, relative factor costs, and the general orientation of monetary and fiscal policies. The competitiveness of an economy may be altered by exogenous elements, such as shifts in demand following taste changes or the development of substitute commodities and the availability of factors of production. For periods in which countries are experiencing inflation at sharply different rates, however, developments in relative costs of production are also likely to exercise a significant influence on exchange rates.

The usefulness of changes in relative costs of production in explaining exchange rate changes depends on the nature of the disturbances that tend to affect economies. If disturbances are of a structural nature, such an approach will not be adequate to explain resulting exchange rate movements. If, however, disturbances tend to be of a monetary nature and affect the balance of payments through the general level of prices, movements in relative costs and prices may be expected to provide a more complete, though still partial, explanation of exchange rate movements.

Chart 11 shows the relationship between the changes in relative rates of inflation and the effective exchange rates for seven major currencies.[3] The base period for the chart is the first half of 1973, although this cannot of course be taken to mean that the pattern of exchange rates was necessarily in equilibrium at that time. Rates of inflation as measured by GNP deflators are shown to have differed markedly among the seven industrial countries over the past year. While national inflation rates in France, Canada, and Japan have tended to stabilize relative to the average for their main trading partners, the rates for Italy and the United Kingdom were considerably higher than the average, and those for the Federal Republic of Germany and the United States well below the average.

While quarter-to-quarter changes in relative prices are only loosely associated with contemporaneous changes in exchange rates, there is a considerably closer relationship over the three-year period taken as a whole. For example, both the United Kingdom and Italy experienced a sharp depreciation of their effective exchange rates that offset their relatively rapid price increases. For the other countries, too, it can be observed that a corrective movement tended to take place when a country's relative competitiveness deteriorated or improved significantly relative to the average. In the Federal Republic of Germany, the appreciation of the exchange rate appears to have been checked in mid-1973 and again early in 1975, when it substantially exceeded the relative improvement in domestic price performance. For France and Japan, also, it can be observed that either prices or exchange rates have tended to adjust when relative prices adjusted for exchange rates have moved continuously in one direction over several quarters.

Taking the three-year period covered by the chart as a whole, the countries which have experienced the largest changes in relative adjusted prices are the United States, Canada, and Italy. In the first quarter of 1976 the United States and Italy had lower relative prices, after adjustment for exchange rate changes, than three years earlier, while Canada had higher relative prices. However, it must be borne in mind that the general picture revealed by Chart 11 may be strongly influenced by the choice of base period, and by the fact that disequilibria requiring correction may well have existed at that time. Furthermore, other factors will also affect balance of payments performance, particularly over a period as long as three years.

* * * *

The year under review has witnessed a further adaptation on the part of the world economy to a monetary system in which countries have greater freedom of choice in exchange arrangements. There has been, in the proposed new Article IV, a recognition of the fact that responsible policies on the part of individual countries are necessary to ensure a stable international monetary system; and the principles to be adopted by the Fund for the guidance of members' exchange rate policies should provide a framework of collaboration and surveillance that will help to meet this objective.

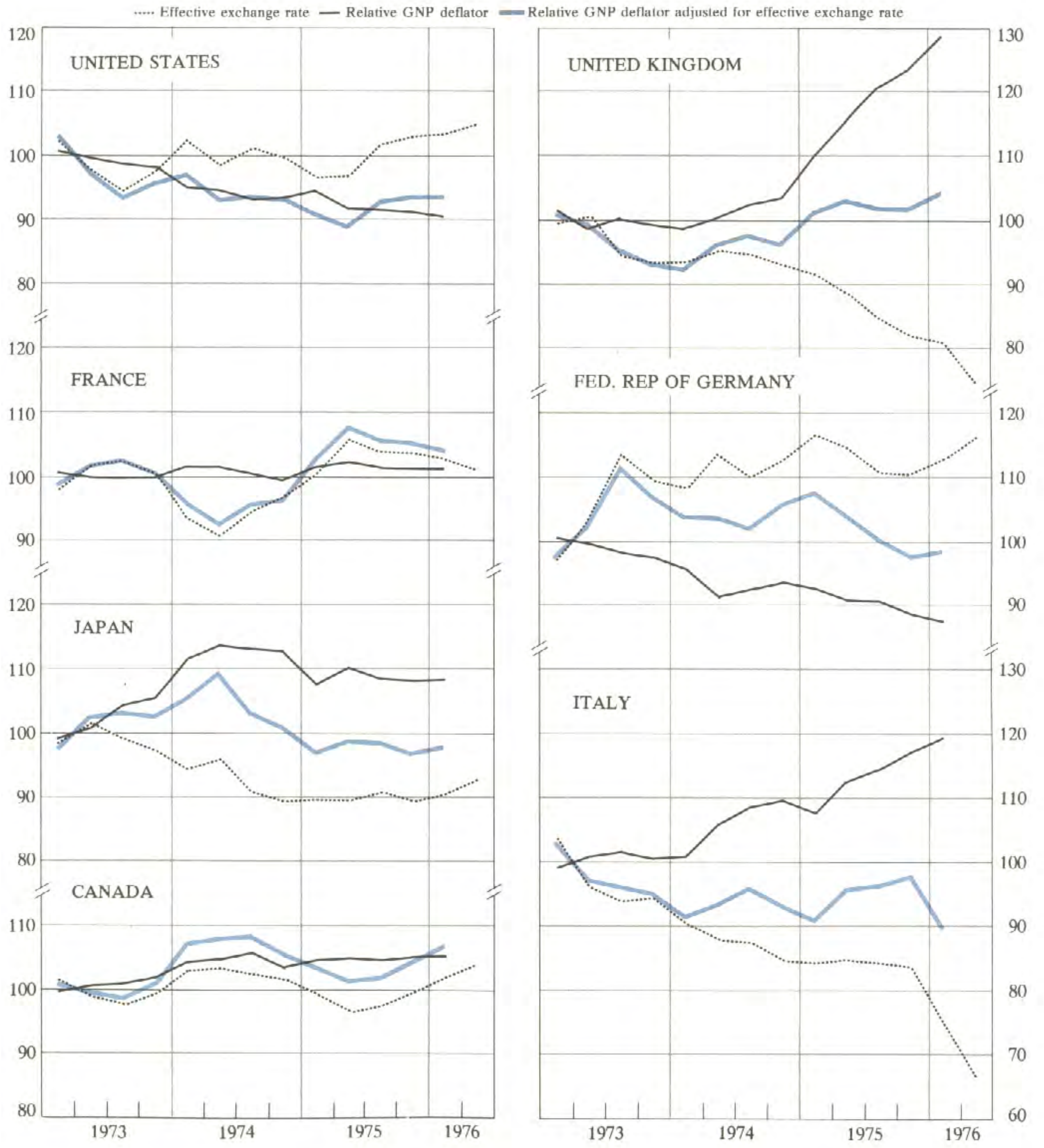
At the same time, the floating among major currencies has been characterized by some reduction in the amplitude of exchange rate movements; weekly fluctuations in effective rates have tended to become smaller for most countries, and so also have short-term swings in exchange rates. These developments reflect in part the fact that disturbances in the global pattern of payments have been less severe than during the early period of floating rates; in part, however, they may also represent an improvement in the ability of the market mechanism and official policies to cope with the realities of a more flexible exchange rate system. In a longer-term perspective, the trend of most major countries' effective exchange rates has been in the appropriate direction to offset inflation differentials over the floating period taken as a whole.

Further progress, however, needs to be made before the objective of a stable monetary system is achieved. While high and differential rates of inflation continue, and while relatively high rates of underutilization of resources persist, there will continue to be uncertainty concerning the development of official policies and their implications for the balance of payments. As has been apparent during the past year, these uncertainties can at times generate adjustments in exchange rates that are more abrupt than the accompanying changes in underlying conditions would warrant.

[3] An important consideration in the design of Chart 11 is the price index to be used to compare price levels between countries. If an index too heavily weighted with traded goods is used, differentials in production costs may be underestimated because, in the absence of transport costs and trade restrictions, the prices of traded goods tend not to differ between countries. From this point of view, the GNP deflator, by relating to as general a range of goods and services as possible and being highly comparable across countries, may be a better index to use. In Chart 11, the price line plotted is the GNP deflator of the country in question, relative to the weighted average of the other six countries. The weights used are derived from the Fund staff's multilateral exchange rate model, as described above.

Chart 11. Effective Exchange Rates and Relative Prices, First Quarter 1973–Second Quarter 1976

(Quarterly indices, first half 1973 = 100)



B. Developments in International Liquidity

Reserve Changes in 1975

The value of official reserves as reported in *International Financial Statistics* was nearly SDR 195 billion at the end of 1975, a rise of some SDR 14 billion, or about 8 per cent, during that year (Table 11).[4] Preliminary figures for the first four months of 1976 show an increase of SDR 8.2 billion, which represents an annual rate of 13 per cent. The growth rate of reserves, however, tends to be very uneven from month to month and from quarter to quarter, as the figures are affected by seasonal factors and random influences. The latter, including exchange market disturbances in March, appear to have been largely responsible for the recent acceleration.

The overall accumulation of official reserves in recent years has been quite unevenly distributed by country groups (Table 12). In fact, after the three-year period of global expansion, unprecedented in size, that ended in 1972, the reserves of the vast majority of countries have shown little further increase. The industrial countries, however, increased their holdings by SDR 12 billion from the end of 1973 through April 1976, while the Fund members classified as major oil exporters added about SDR 38 billion to their reserves in that period. For all non-oil countries as a group, as well as for the industrial countries alone, the annual rate of increase for the three years 1973–75 was about 2 per cent, a figure much the same as that recorded for the decade preceding 1970.

The rise in the foreign exchange component has for a number of years been the largest source of reserve growth (Table 13 and Chart 12). The increase of reserves in this form in 1975 was due almost as much to the appreciation in the value of the U.S. dollar in terms of the SDR as it was to transactions creating (or destroying) reserves; that appreciation amounted to

Table 11. Official Reserves, End of Years 1955–75 and End of April 1976 [1]

(In billions of SDRs)

	Gold	SDRs	Reserve Positions in Fund	Foreign Exchange [1]	Total [1]
1955	35.0	—	1.9	18.1	55.0
1956	35.7	—	2.3	19.2	57.1
1957	36.9	—	2.3	18.4	57.7
1958	37.6	—	2.6	18.5	58.7
1959	37.6	—	3.3	17.5	58.3
1960	37.7	—	3.6	19.9	61.2
1961	38.6	—	4.2	20.5	63.3
1962	38.9	—	3.8	21.3	64.0
1963	39.8	—	3.9	24.1	67.9
1964	40.5	—	4.2	25.6	70.3
1965	41.5	—	5.4	25.4	72.3
1966	40.7	—	6.4	26.1	73.2
1967	39.4	—	5.7	29.3	74.4
1968	38.7	—	6.5	32.5	77.8
1969	38.9	—	6.7	33.0	78.7
1970	37.0	3.1	7.7	45.4	93.2
1971	35.9	5.9	6.4	75.1	123.2
1972	35.6	8.7	6.3	95.9	146.5
1973	35.6	8.8	6.2	102.0	152.6
1974	35.6	8.9	8.8	127.1	180.3
1975	35.5	8.8	12.6	137.8	194.7
April 1976	35.3	8.9	14.8	143.8	202.8

Source: *International Financial Statistics.*

[1] Official reserves of Fund members, plus the Netherlands Antilles, Surinam, and Switzerland. Foreign exchange holdings for 1973 include official French claims on the European Monetary Cooperation Fund; those for 1955–66 include amounts incorporated in published U.K. reserves in 1966 and 1967 from proceeds of liquidation of the U.K. official portfolio of dollar securities.

[4] These figures cover the reserves of Fund members, plus the Netherlands Antilles, Surinam, and Switzerland. The term "reserves" used in this chapter refers to countries' official holdings of gold, SDRs, and foreign exchange and their reserve positions in the Fund. For Botswana, Cambodia, Equatorial Guinea, Guinea, Lesotho, Romania, and Swaziland, only SDR holdings and reserve positions in the Fund are included. A country's reserve position in the Fund is the excess, if positive, of its quota over the Fund's (adjusted) holdings of its currency. Gold is valued at SDR 35 per ounce; foreign exchange balances are valued in SDRs by converting them at parity or central rates for end-1973 and earlier dates (except for floating currencies, for which market rates were used) and at SDR transactions values based on market rates thereafter. (See introductory pages of *International Financial Statistics* for further explanation.)

Table 12. Distribution of Reserves, End of Years 1950, 1960, and 1970–75 and End of April 1976 [1]

(In billions of SDRs)

	1950	1960	1970	1971	1972	1973	1974	1975	April 1976
Industrial countries									
United States	24.3	19.4	14.5	12.1	12.1	11.9	13.1	13.6	14.7
United Kingdom	4.8	5.1	2.8	8.1	5.2	5.4	5.7	4.7	4.2
Subtotal	29.1	24.5	17.3	20.3	17.3	17.3	18.8	18.2	18.9
Belgium	0.8	1.5	2.8	3.2	3.6	4.2	4.4	5.0	4.5
France	0.8	2.3	5.0	7.6	9.2	7.4	7.2	10.8 [2]	8.4 [2]
Germany, Federal Republic of	0.2	7.0	13.6	17.2	21.9	27.5	26.5	26.5	29.9
Italy	0.7	3.3	5.4	6.3	5.6	5.3	5.7	4.1	4.4
Netherlands	0.5	1.9	3.2	3.5	4.4	5.4	5.7	6.1	6.2
Switzerland	1.6	2.3	5.1	6.4	7.0	7.1	7.4	8.9	8.2
Other industrial Europe [3]	0.5	1.8	3.8	4.9	6.0	6.9	6.6	9.1	9.5
Subtotal, continental industrial Europe	5.2	20.1	39.0	49.1	57.7	63.8	63.4	70.4	71.1
Canada	1.8	2.0	4.7	5.3	5.6	4.8	4.8	4.5	5.0
Japan	0.6	1.9	4.8	14.1	16.9	10.2	11.0	10.9	13.0
Total, industrial countries	36.8	48.5	65.8	88.8	97.5	96.0	97.9	104.1	108.0
Primary producing countries									
More developed countries									
Other European countries [4]	1.6	2.3	5.6	8.0	11.7	13.4	12.3	11.2	11.2
Australia, New Zealand, South Africa	2.1	1.3	3.0	4.2	7.6	6.5	5.0	4.2	4.3
Subtotal, more developed primary producing countries	3.7	3.6	8.5	12.1	19.4	19.9	17.2	15.4	15.5
Less developed countries									
Major oil exporting countries [5]	1.3	2.4	5.2	8.0	10.3	12.4	39.2	49.6	50.8
Other Western Hemisphere [6]	2.4	2.2	4.3	4.4	7.3	9.7	9.1	7.7	8.4
Other Middle East [7]	1.1	0.7	1.6	2.0	2.6	3.6	4.0	4.5	4.8
Other Asia [8]	3.7	2.7	5.8	6.3	7.6	8.8	10.5	11.2	13.0
Other Africa [9]	0.6	0.9	1.9	1.6	1.9	2.1	2.4	2.2	2.2
Subtotal, less developed countries [10]	9.8	9.0	18.9	22.3	29.7	36.6	65.2	75.2	79.3
Total	50.3	61.2	93.2	123.2	146.5	152.6	180.3	194.7	202.8

Source: *International Financial Statistics.*

[1] Some differences between these data and those published in *IFS* are noted in Table 11, footnote 1. Totals may not add because of rounding and because some totals include unpublished data for component areas.

[2] The value of the official French reserve stock, at end-1975 and end-April 1976, as shown in this table, differs from that published in official French statistics because, since January 1975, France has adopted a system of valuing gold based on market prices.

[3] Austria, Denmark, Luxembourg, Norway, and Sweden.

[4] Finland, Greece, Iceland, Ireland, Malta, Portugal, Spain, Turkey, Yugoslavia, and, beginning in 1972, Romania's reserve position in the Fund and holdings of SDRs.

[5] Algeria, Ecuador, Indonesia, Iran, Iraq, Kuwait, the Libyan Arab Republic, Nigeria, Saudi Arabia, Trinidad and Tobago, Venezuela, and, beginning in 1960, Gabon, in 1965, Bahrain, in 1966, Qatar, in 1970, Oman, and in 1973, the United Arab Emirates.

[6] Argentina, Bolivia, Brazil, Central America, Chile, Colombia, the Dominican Republic, Guyana, Haiti, Jamaica, Mexico, Panama, Paraguay, Peru, Surinam, Uruguay, and, beginning in 1966, Barbados, and, in 1968, the Bahamas and the Netherlands Antilles.

[7] Cyprus, Egypt, Israel, Jordan, Lebanon, the Syrian Arab Republic, and, beginning in 1965, the People's Democratic Republic of Yemen, and in 1973, the Yemen Arab Republic.

[8] Afghanistan, Burma, the Republic of China, Fiji, India, Korea, Lao People's Democratic Republic, Malaysia, Nepal, Pakistan, the Philippines, Singapore, South Viet-Nam, Sri Lanka, Thailand, Western Samoa, and, beginning in 1973, Bangladesh.

[9] African Fund members other than Algeria, Gabon, the Libyan Arab Republic, Nigeria, and South Africa.

[10] Includes residual.

4.6 per cent from the end of 1974 to the end of 1975. Since the stock of foreign exchange holdings reached SDR 138 billion at the end of 1975, with at least four fifths of these holdings denominated in U.S. dollars, the increase in the SDR value of the dollar (net of the loss in value of some other currencies in which reserves are held) is estimated to have accounted for some SDR 4.2 billion of the total increase of SDR 10.6 billion in foreign exchange during 1975 (Table 14). A further appreciation of over 1.5 per cent occurred in the first four months of 1976, contributing perhaps SDR 1.5 billion to the reserve increase for that period.[5]

[5] The value of the stocks of official foreign exchange holdings changes in terms of SDRs not only because of transactions in these assets but also because of changes in the SDR value of the currencies in which they are originally expressed. As from end-July 1974, non-dollar foreign exchange is converted to U.S. dollar equivalents at end-of-month market rates or, in the absence of market rate quotations, at other prevailing official rates. The totals in U.S. dollars are then converted into SDR equivalents at U.S. dollar/SDR transactions values. (See introductory pages of *International Financial Statistics* for further explanation.)

Table 13. Composition of Reserve Change, 1969–75 [1]

(In billions of SDRs)

	1969	1970	1971	1972	1973	1974	1975
Net annual transactions in reserves							
Gold							
Monetary gold	0.1	0.3	−0.1	0.2	—	—	−0.1
Gold transactions (acquisitions —) by IMF, BIS, and European Fund	0.1	−2.2	−1.0	−0.5	—	—	—
Countries' gold reserves	0.2	−1.9	−1.1	−0.3	—	−0.1	−0.1
Special drawing rights							
Allocation of SDRs	—	3.4	3.0	3.0	—	—	—
IMF holdings of SDRs (increase —)	—	−0.3	−0.2	−0.1	0.1	0.1	−0.1
Countries' SDR holdings	—	3.1	2.8	2.8	0.1	0.1	−0.1
Reserve position in the Fund							
Use of IMF credit	0.3	−0.8	−1.9	−0.3	−0.1	2.7	3.7
IMF gold transactions (inflow +) [2]	—	1.6	0.4	0.1	—	—	—
IMF transactions in SDRs (inflow +)	—	0.3	0.2	0.1	−0.1	−0.1	0.1
IMF surplus (increase —)	−0.1	−0.1	—	—	—	—	—
Reserve positions in the Fund	0.2	1.0	−1.3	—	−0.2	2.7	3.8
Official foreign exchange holdings							
Official claims on the United States [3]	−1.5	7.8	27.4	10.0	4.7	8.2	2.5
Other official claims	2.1	4.6	6.7	10.8	10.2	17.7	4.4
Official sterling claims on United Kingdom	*0.7*	*0.5*	*1.7*	*0.7*	*0.3*	*2.7*	*−1.2*
Official deutsche mark claims on Federal Republic of Germany	*0.1*	*0.8*	*−0.4*	*0.1*	*−0.6*	*0.1*	*0.1*
Official French franc claims on France	*−0.1*	*0.2*	*0.2*	*0.3*	*0.2*	*−0.2*	*0.2*
Other official claims on other countries denominated in the claimant's own currency	... [4]	... [4]	—	*−0.1*	*0.6*	*−0.4*	*1.4*
Foreign exchange claims arising from swap credits and related assistance	*−0.1*	*−2.2*	*−0.7*	—	*0.4*	*1.2*	*−0.4*
Identified official holdings of Euro-dollars [5]	*1.1*	*5.5*	*0.8*	*7.5*	*4.9*	*13.6*	*5.6*
Identified official holdings of other Euro-currencies	... [4]	... [4]	*0.7*	*2.0*	*1.6*	*0.2*	*1.5*
Identified official claims on IBRD and IDA	*0.1*	*0.1*	—	—	*0.1*	*0.1*	*0.4*
Residual [6]	*0.3*	*−0.3*	*4.4*	*0.4*	*2.7*	*0.3*	*−3.3*
Total official foreign exchange holdings	0.6	12.4	34.1	20.8	14.9	25.9	6.9
Effect of valuation changes on stock of reserves [7]	−0.1	—	−4.4	—	−8.8	−0.8	3.8
Total reserve change	0.9	14.6	30.0	23.3	6.0	27.8	14.4

Sources: *International Financial Statistics* and Fund staff information and estimates.

[1] Some differences between these data and those published in *IFS* are noted in Table 11, footnote 1. Table 15 provides comparable stock data concerning official holdings of foreign exchange. Note, however, that in some years changes in outstanding stocks do not coincide with the estimated transactions values recorded here because of changes in the relationship between the currency of denomination and the SDR. Footnote 1 to Table 15 notes these cases.

[2] Variations in IMF gold investments and gold deposits are excluded because they do not give rise to net creditor positions in the Fund.

[3] Covers only claims of countries, including those denominated in the claimant's own currency.

[4] The underlying stock data were not available prior to 1970; therefore, the value of transactions in these assets is included with the residuals until 1971.

[5] See Table 15 for more details concerning these Fund staff estimates.

[6] Table 15, footnote 5, provides details.

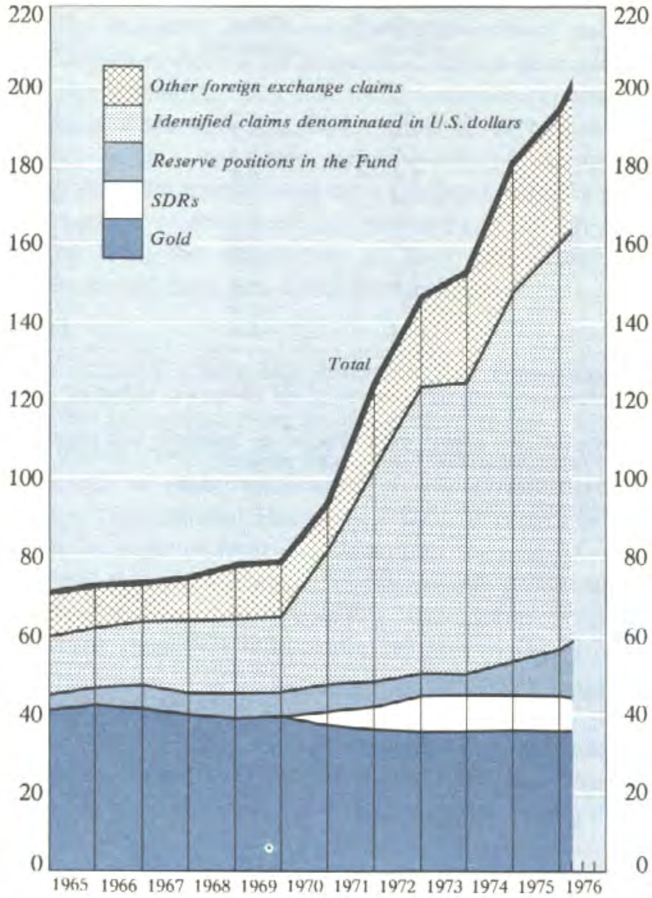
[7] For explanation, see pages 34–35, and *Annual Report, 1972,* page 25, footnote 2.

A noteworthy role in the overall reserve increase has recently been played by reserve positions in the Fund, which in the last two years more than doubled, from an aggregate of SDR 6.2 billion at the end of 1973 to SDR 12.6 billion at the end of 1975. The increment during 1975 was SDR 3.8 billion; the pace showed no sign of slackening in the first four months of 1976, when another SDR 2.2 billion was added to the total. Fund-related reserves—SDRs and reserve positions in the Fund—were approaching 12 per cent of members' total reserve holdings at the end of April 1976, as Fund borrowings under the oil facility reached nearly SDR 7 billion.

The combined reserves of the industrial countries, which had remained rather stable in the preceding two years, rose by SDR 6 billion in 1975, equivalent to an annual rate of 6 per cent. This development was accentuated in the first four months of 1976, when the increase came to SDR 3.9 billion. Although this group of countries gained reserves in both periods, the experience of individual countries was widely different. In 1975, Austria, France, Sweden, and Switzerland showed

Chart 12. Level and Composition of Reserves, End of Period, 1964–March 1976

(In billions of SDRs)



gains ranging upward from SDR 1 billion, the highest being that of France with SDR 3.5 billion. Large declines were limited to two countries, the amounts being SDR 1.6 billion for Italy and SDR 1 billion for the United Kingdom. Among the other industrial countries, gains of SDR 0.5 billion or less predominated over a few negligible losses.

The only industrial country to show a significant decline in the first four months of 1976 was France, for which the previous year's large increase was partly offset by the loss of SDR 2.3 billion. In contrast, notable increments accrued to the Federal Republic of Germany (SDR 3.4 billion) and Japan (SDR 2.0 billion), while more moderate gains were again the most common experience among other industrial countries. Even though the currencies of all of the countries in this group are floating, a main cause of the reserve changes occurring in 1975 and the first four months of 1976, apart from valuation changes, was intervention in the exchange markets. Several countries also engaged in foreign borrowing in order to maintain their gross reserves; in some instances, such borrowing had the effect of augmenting reserves.

Reference has already been made to the increase in reserve holdings of the major oil exporting countries as a group. That increment was cut, however, from SDR 26.8 billion in 1974 to SDR 10.4 billion in 1975, as a sizable reduction in exports coincided with an expansion in those countries' imports. Indeed, the reserves of at least six countries in the group showed a decline in 1975, while the only increases that exceeded SDR 0.5 billion among the remaining countries were those for Iran (SDR 0.6 billion), Saudi Arabia (SDR 8.3 billion), and Venezuela (SDR 2.2 billion).

The reserves of the less developed primary producing countries other than the major oil exporters decreased by SDR 0.4 billion, despite heavy use of official borrowing by members of this group to finance their payments deficits. Although the decline amounted to less than 2 per cent of these countries' total reserves, it was the first actual reduction in any year since the period 1961–62. After that time, the group's holdings as a proportion of the world-wide total went up to a peak of 16 per cent at the end of 1973; developments in the following two years brought this ratio down again to 13 per cent.

The more developed primary producing countries experienced a decline in official reserves in both 1974 and 1975; members of this group also engaged in a substantial amount of official foreign borrowing. From a high point of nearly SDR 20 billion at the end of 1973, the aggregate reserves for this group were down to SDR 15.4 billion two years later. This unfavorable tendency was widely shared throughout the group; the only major exceptions were Ireland and Malta, each of whose holdings showed an increase of more than 50 per cent during the years 1974–75.

The country distribution of reserve increases and decreases is one factor that has a bearing on the composition of net reserve changes, because various countries' preferences for one or another type of reserves can be quite different (Table 15). The composition of these holdings in turn determines the effect of any appreciation (or depreciation) of the SDR value of currencies held in reserves on a country's reserve total. Finally, the availability of alternative means for financing payments deficits has an impact on the magnitude of the global reserve change and its composition.

The major oil exporting countries, to which reserve increases through transactions that created reserves mostly accrued during 1975, placed a large part of their surplus foreign exchange earnings in that year in the Euro-dollar market. The addition by these countries to their Euro-dollar holdings that has been identified was nearly SDR 6 billion in 1975. Some of the

Table 14. Composition of Reserve Change by Area, 1975 [1]

(In billions of SDRs)

	Industrial and More Developed Primary Producing Countries		Less Developed Primary Producing Countries		
	United States	Other countries	Major oil exporting countries	Other countries [2]	Total
Net transactions in reserves					
Gold	—	—	—	—	−0.1
SDR holdings	0.1	—	—	−0.1	−0.1
Reserve positions in Fund	0.4	1.0	2.5	−0.1	3.8
Official foreign exchange holdings [3]	0.1	0.4	7.1	−0.6	6.9
Official claims on United States [4]	—	*0.9*	*−0.4*	*1.9*	*2.5*
Official sterling claims on United Kingdom	—	*−0.5*	*−1.4*	*0.7*	*−1.2*
Identified official holdings of Euro-dollars	—	*0.5*	*5.6*	*−0.5*	*5.6*
Residual holdings of foreign exchange [5]	*0.1*	*−0.6*	*3.2*	*−2.7*	—
Effect of valuation changes on stock of reserves [6]	—	2.5	0.8	0.5	3.8
Total reserve change	0.5	3.9	10.4	−0.3	14.4

Sources: *International Financial Statistics* and Fund staff information and estimates.

[1] Table 13 provides more detailed information on the composition of changes in official reserves of all countries, including comparable data for earlier years.

[2] The transactions values of the components of foreign exchange shown for this group were derived as residuals and therefore include any omissions, errors, and asymmetries included in the transactions values estimated for the other groups.

[3] Area details are based on data provided by those holders of these claims that report this information to the Fund.

[4] Covers only claims of countries, including those denominated in the claimant's own currency.

[5] More details of this residual are provided in Table 13.

[6] For explanation, see pages 34–35.

Table 15. Official Holdings of Foreign Exchange, by Type of Claim, End of Years, 1969–75 [1]

(In billions of SDRs)

	1969	1970	1971	1972	1973	1974	1975
Official claims on United States [2]	16.0	23.8	46.6	56.7	55.4	62.6	68.5
Official sterling claims on United Kingdom	5.2	5.7	7.3	8.1	6.5	8.3	6.4
Official deutsche mark claims on Fed. Rep. of Germany	0.5	1.3	1.0	1.1	0.6	0.8	0.9
Official French franc claims on France	0.4	0.6	0.8	1.0	1.2	1.1	1.3
Other official claims on countries denominated in the claimant's own currency	... [3]	0.8	0.9	0.7	1.4	1.2	2.6
Official foreign exchange claims arising from swap credits and related assistance	2.8	0.7	—	—	0.4	1.6 [4]	1.3 [4]
Identified official holdings of Euro-currencies							
Euro-dollars							
Industrial countries	2.2	5.1	3.4	5.6	7.3	6.3	6.5
Primary producing countries							
More developed countries	0.6	1.5	1.6	3.1	3.2	2.9	3.7
Less developed countries	2.1	3.7	5.3	9.1	10.2	24.6	31.0
Western Hemisphere	*0.6*	*1.0*	*1.5*	*3.5*	*4.0*	*5.0*	*5.7*
Middle East	*0.4*	*0.6*	*1.1*	*1.9*	*2.3*	*14.0*	*19.9*
Asia	*0.6*	*1.1*	*1.0*	*2.0*	*2.7*	*3.0*	*3.5*
Africa	*0.6*	*1.1*	*1.6*	*1.7*	*1.3*	*2.6*	*1.9*
Memorandum item: Major oil exporting countries	0.8	1.6	2.8	3.9	4.1	17.6	24.2
Total identified Euro-dollars	4.9	10.4	10.3	17.8	20.8	33.8	41.2
Other Euro-currencies	... [3]	0.3	1.0	3.0	4.7	5.3	6.6
Total identified holdings of Euro-currencies	4.9	10.7	11.3	20.8	25.5	39.1	47.7
Identified claims on IBRD and IDA	0.6	0.7	0.6	0.6	0.6	0.7	1.2
Residual [5]	2.8	1.3	6.7	6.9	10.4	11.7	8.1
Total official holdings of foreign exchange	33.0	45.4	75.1	95.9	102.0	127.1	137.8

Sources: *International Financial Statistics* and Fund staff information and estimates.

[1] Includes the estimated change in the level of holdings owing to the French franc devaluation in 1969, the general realignment of currencies in 1971, the U.S. dollar devaluation in 1973, and the widespread floating of currencies since 1974.

[2] Covers only claims of countries, including those denominated in the claimant's own currency.

[3] These data were not available prior to 1970; therefore, the figure for 1969 is included with the residual.

[4] Comprises the double deposit arrangement between the Deutsche Bundesbank and the Bank of Italy.

[5] Part of this residual occurs because some member countries do not classify all the foreign exchange claims that they report to the Fund. It also includes asymmetries arising because data on U.S. and U.K. currency liabilities are more comprehensive than data on official foreign exchange as shown in *International Financial Statistics*.

countries in this group, including some that experienced a decline in their overall reserves, reduced their holdings of sterling claims on the United Kingdom. The group's reserve position in the Fund increased by SDR 2.5 billion, reflecting in large part Fund borrowings under the oil facility.

The industrial and more developed primary producing countries hold large amounts of dollar-denominated foreign exchange. In 1975, these countries experienced an appreciation in the SDR value of such holdings, which in fact was their major source of increase in reserves. Net transactions were confined virtually to an increase of reserve positions in the Fund, which came about from the Fund's use of their currencies, both from its holdings and from borrowings.

Factors Affecting the Adequacy of Reserves

This subsection contains the review of the adequacy of global reserves that the Executive Directors are required to make under Section 10 of the By-Laws of the International Monetary Fund. It deals not only with the topic of reserve adequacy in the narrow sense, namely, with the sufficiency of the existing global volume of reserve assets in matching the global need for reserves, but also with some of its broader aspects. These include the effects on reserve adequacy of the distribution of reserves among countries, the asset composition of a given reserve volume, the availability of public and private liquid resources other than reserves, and the adaptability of the supply of reserve assets to the existing demand.

The diversity of exchange market behavior, discussed in Section A of this chapter, that characterizes present international monetary arrangements and is also envisaged under the regime of the amended Article IV of the Fund Agreement is reflected in a corresponding diversity among countries in the use of international liquidity and the role of reserve holdings. As a result, it is now more difficult to apply the concept of adequacy of global reserves than in the 1960s, when it was first formulated.

At that time, quantitative assessment of changes in the need for reserves was based in part on the behavior over time of the ratio of global reserves to imports and in part on other factors and considerations, including the historical growth trend of global reserves and the development of the magnitude of aggregate payments imbalances. In order to arrive at a judgment with respect to the degree of reserve ease or stringency, two approaches were pursued: first, the estimated reserve need was compared with the supply of reserves, with due regard to the effect of any marked shift in reserve distribution; and, second, an evaluation was made of elements that were considered direct manifestations of changes in reserve ease, such as variations in the use of import restrictions, policies on foreign aid, the balance of exchange rate devaluations and revaluations, and the reliance on external borrowing for the financing of balance of payments deficits.[6]

This method of assessing the adequacy of reserves reflected an international economy in which global reserves had grown steadily, yet moderately, at a rate somewhat below the growth rate of world trade; in which payments imbalances, though varying considerably in the shorter run, had shown only a modest upward trend over the years and were typically in large part financed through the use of reserves; and in which general adherence to an exchange rate system based on par values permitted an inference to be drawn with respect to reserve adequacy from the predominant direction and the frequency of exchange rate changes. In these circumstances, it was plausible to assume that reserve needs would continue to rise in correspondence with, though not necessarily in exact proportion to, payments imbalances or imports.

In present circumstances, considerable variation can be expected in the relation between reserve needs and imports, both among countries and over time. There are several reasons for this. On the one hand, although the precise statistical confirmation is not available, it is widely held that the volume of capital flows has, over the years, increased at a more rapid pace than trade, at any rate for many of the larger countries, so that imports may constitute a less adequate proxy for total international transactions than before. On the other hand, the balance between financing and adjustment of payments disequilibria has shifted, although—as discussed below—not uniformly for all countries, so that aggregate payments imbalances are likely to be smaller relative to the volume of international transactions than they would have been if, with the magnitude of balance of payments disturbances given, the world economy were still functioning under the Bretton Woods par value system. At the same time, in the financing of any given external deficit, many countries have come to rely to a greater extent on international borrowing and, therefore, less on the use of reserves, in many instances because the authorities felt that the reserves were at a level that should not be reduced.

The majority of Fund members continue to peg their currencies to one of several major currencies, to the SDR, or to a similar composite. Their reserve needs in relation to expected external imbalances have probably not changed significantly from what they would have been under the Bretton Woods par value system, except insofar as there may now be a greater readiness to alter the peg in response to exchange market or balance of

[6] See, e.g., *Annual Report, 1972,* pages 31–35.

payments developments and to make use of the more ample international borrowing facilities to which most, though not all, of these countries have access.

The currencies of a number of countries (about 30 countries with 73 per cent of the world reserves at the end of 1975), including those of the largest Fund members, are floating, however, and their need to hold reserves for the purpose of financing future balance of payments deficits is likely to be smaller than it would be if these countries still adhered to a par value system. The extent to which floating diminishes the need to hold reserves is difficult to gauge, especially since many countries with floating currencies typically find it desirable to intervene in the foreign exchange market, some at times heavily. Members participating in the European common margins arrangement as of the middle of 1976 (accounting for 22 per cent of world reserves at the end of 1975) are classified as having floating currencies; nevertheless, transactions within the group of participants imply reserve needs similar to those of countries with pegged rates, and the reduction in their overall reserve needs as a result of floating should be expected to be commensurate with the volume of their transactions with countries outside the common margins arrangement, rather than with that of all transactions. For the smaller participants, moreover, imbalances in transactions with outside countries may also result in pressure on the common margins and thus require use of reserves.

Three functions of international reserves beyond that of financing future deficits deserve to be mentioned. First, even when imbalances are intended to be financed largely by compensatory external borrowing and repayment, reserves may still be needed in order to contribute to the maintenance of market confidence and international creditworthiness. Second, countries with floating currencies may wish to hold reserves that are larger than presently required for the conduct of foreign exchange market intervention in order to be prepared for contingencies. Third, countries that have recently experienced large balance of payments surpluses may hold part of their foreign exchange reserves as a temporary placement of these surpluses pending their long-term investment.

Although the relationship between countries' reserve needs and imports, for all of these reasons, has undergone significant changes in the new circumstances, the level of imports, taken as representative of external transactions, is one useful indicator of the scale of reserve needs, especially during a period of rapidly rising values of international transactions. For all major country groups except the group of major oil exporting countries, these ratios were on average much lower in 1974 and 1975 than they had been in the preceding years (Table 16).[7] This decline can be ascribed to the rise from 1973 to 1974 in the value of world imports (measured in SDRs) by 47 per cent, followed by an increase of only 4 per cent from 1974 to 1975, while the yearly average level of world reserves increased during these periods by about 10 per cent and 13 per cent, respectively. As a result, the average ratio of reserves to imports for the world as a whole fell from 34 per cent in 1973 to 26 per cent and 28 per cent, respectively, in 1974 and 1975.

Table 16. Ratios of Reserves to Imports, 1966–75 [1]

(In per cent)

			Primary Producing Countries		
	World	Industrial Countries [2]	More developed	Oil exporters [3]	Other less developed
1966	37	40	31	43	27
1967	36	38	29	46	28
1968	33	34	30	45	28
1969	30	30	30	43	28
1970	29	28	28	43	29
1971	32	33	33	52	28
1972	33	37	48	63	32
1973	34	31	47	59	34
1974	26	21	29	78	25
1975	28	22	26	93	23

Source: *International Financial Statistics.*

[1] Reserves are centered quarterly averages for the years shown. Official gold holdings are valued at SDR 35 per ounce.

[2] The ratios for the United States and the remaining industrial countries in 1975 were 16 per cent and 24 per cent, respectively.

[3] In 1975, the ratio for four major oil exporting countries with low absorptive capacity (Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates) was 181 per cent, while that for the remaining major oil exporting countries was 69 per cent. The range of variation in this ratio among oil exporting countries is considerable; among those for which the available data permit this calculation for 1975, Indonesia had the lowest ratio (14 per cent) and Saudi Arabia had the highest (slightly more than 300 per cent).

Reserve holdings of oil exporting countries as a group relative to the level of imports have been higher than the world average and the average of any of the other major groups throughout the last decade. The increase in their reserves in 1974 and 1975 has no doubt further increased their reserve ease. However, in many of these countries, economic policy has been such as to induce rapid balance of payments adjustment ever since the first appearance of large current account surpluses and rising reserves in 1974. For many oil exporting countries, this adjustment has progressed to the point where reserves are no longer rising, or are even falling. In any event, at least part of their reserve holdings must be

[7] For purposes of calculating these ratios, official gold holdings are valued at SDR 35 per ounce. At the end of 1975, these holdings accounted for 18.1 per cent of global reserves; for the group of industrial countries this proportion was 28.6 per cent; for more developed primary producing countries, 17.7 per cent; for the major oil exporting countries, 2.5 per cent; and for other less developed primary producing countries, 6.9 per cent.

regarded as temporary placements, and subsequent investment of these funds in other assets, even though some of them may still be highly liquid, would in due course result in a decline in the ratio of reserves to imports.

The industrial countries as a group showed a substantially lower ratio of reserves to imports in 1974 and 1975 than they had during the entire postwar period. This is largely the result of a reduction in the ratios for a number of large countries with independently floating currencies, particularly the United States. The general pattern of the movement in the ratio for the industrial countries is unchanged, however, even if the United States is excluded. The non-oil primary producing countries experienced ratios that were substantially lower than those of the early 1970s and lower, too, than the ratios found during the latter part of the 1960s; and although the 1975 ratio was slightly above that of the industrial countries, it may nevertheless represent a greater degree of reserve stringency, since this group contains for the most part countries with pegged exchange rates as well as many countries with limited access to international capital markets.

As was discussed in previous Annual Reports, the distribution of reserves among countries affects the degree of global reserve ease afforded by a given volume of reserves. In this connection, it is relevant that while global reserves grew by one third from the end of 1973 through April 1976, the reserves of non-oil primary producing countries did not show any net increase at all during this period. During 1974 the entire global increase accrued to the major oil exporting countries; in 1975 and the first four months of 1976 it was shared approximately equally by oil exporting and industrial countries (Table 12). The substantial recent growth in world reserves should, therefore, be judged to have added less to the degree of global reserve ease than it would have done if relative growth had been more uniform among countries.

Quantitative assessment of the adequacy of reserves is made particularly difficult by the uncertainty surrounding the proper valuation of gold holdings. The difference between the market price of gold and the price at which it is carried in the accounts of most central banks (and shown in the tables in this chapter) points to a greater degree of reserve ease at present than might be inferred from reserves data based on the official gold price—an observation applying particularly to countries that hold a large part of their reserves in the form of gold. This conclusion, however, is subject to the important qualification that gold may in present circumstances be a less liquid asset than other components of reserves.

A factor continuing to exercise a positive influence on the degree of reserve ease is the adaptability of the supply of reserves to the demand. Reference has already been made to the reduction in the need, or demand, for owned reserves that may have resulted from two features of present international monetary arrangements: widespread floating of exchange rates and the possibility of financing balance of payments deficits through official borrowing. However, these features do not merely reduce the demand for reserves but also facilitate the acquisition of owned reserves, when needed, or the reduction of reserve holdings that are felt to be excessive. In some circumstances, a country with a floating exchange rate that finds its reserve holdings insufficient may raise them by intervening more strongly in the exchange market as a purchaser of foreign exchange whenever its exchange rate tends to appreciate, and less strongly as a seller when it depreciates. Again, a country may borrow in the international capital market not only to finance an existing balance of payments deficit but also to add to the level of its reserves; since these reserves can in turn themselves be placed in the capital markets, the net interest cost of holding them may be small. However, because of the increased use of short-term borrowing to finance deficits, net reserves have for many countries developed much more unfavorably than gross reserves.

* * * *

In sum, it is very difficult to make a quantitatively accurate assessment of shifts in the adequacy of global reserves over the past several years in view of the substantial changes that have occurred in exchange rate arrangements, in countries' readiness to borrow in private capital markets, and in the availability of public and private funds for international borrowing. Also important in this regard is the special character of the sharp buildup that has taken place in the reserves of some of the oil exporting countries. Indeed, because of these developments, the concepts of global "reserve need" and "adequacy of reserves" have suffered in precision, especially in the present situation in which international monetary relations are undergoing rapid change.

Nevertheless, certain specific aspects of the situation relating to international reserves merit attention. These may be noted briefly.

First, examination of the relevant data suggests that there was no marked change in the degree of reserve ease from 1974 to 1975. This conclusion derives mainly from the fact that the relationship between reserves and imports did not show substantial change for non-oil member countries as a group. In most of these countries, reserves were relatively flat at a time of little or no increase in the volume of imports because of the international recession. This situation, however, is now changing; with economic recovery in the major industrial countries having begun during 1975, world trade activity is once again in an expansionary phase.

Within the broad category of non-oil member countries, assessment of reserve adequacy is perhaps least difficult for the primary producing group. Countries in this group have for the most part not resorted to floating. The reduction in the ratios of reserves to imports that has occurred in the past few years would seem to reflect some decrease in reserve adequacy. In this connection, indication of need to conserve official reserves may be found in the resort by these countries to greater use of import controls and other restraints on current transactions, although such resort has not been on a large scale. It may also be significant that in the past year the non-oil primary producing countries as a group chose to finance their overall balance of payments deficit almost entirely through borrowing, and only to a very limited extent through the drawing down of owned reserves. For some of these countries, however, borrowing in international credit markets to protect reserves may not be feasible or may become increasingly costly, and even those that had recourse to official borrowing in the past may not be able to continue using this policy to the same extent in the future; this applies particularly to those countries that have engaged in short-term borrowing to such an extent that their net external liquidity position has become negative.

Last year's Annual Report stated that "in the present situation of considerable uncertainty as to the future development of many of the factors affecting reserve adequacy, the contribution that the Fund could most suitably make to its continued maintenance probably lies in the provision of conditional liquidity." In the coming stage of world economic recovery, the clear need to avoid a resurgence of inflation provides a strong argument for meeting increasing liquidity requirements as much as possible, although not necessarily exclusively, through conditional liquidity.

The supply of conditional liquidity to member countries has been increased in the past by raising quotas, by establishing special facilities, and by enlarging credit tranches in relation to quotas.

The most recent general increase in Fund quotas occurred in 1970, when they were raised by 35 per cent, to about SDR 29 billion. In March 1976, the Board of Governors approved a resolution, under the Sixth General Review of Quotas, to increase quotas by 33.6 per cent, to a total of SDR 39 billion; this increase will become effective when the Second Amendment of the Articles enters into force and certain other conditions are met.[8]

[8] See Chapter 3, pages 46–47, for details.

One factor that has entered into assessments of the adequacy of the supply of conditional liquidity in the past has been the ratio of quotas to imports. This ratio has declined from an average of more than 10 per cent in the 1950s and 1960s, and 9 per cent after the quota increase in 1970, to less than 5 per cent in 1974 and 1975. The forthcoming increase in quotas resulting from the Sixth General Review of Quotas will arrest the declining trend temporarily.

Conditional liquidity has also been augmented, particularly during the period reviewed in this Report, by the provision of special facilities and by other special measures. In the past year, while the oil facility has lapsed, the compensatory financing facility has been liberalized so as to provide greater access by members encountering payments difficulties produced by temporary export shortfalls; also, there has been a temporary enlargement of the access by members to the Fund's resources—pending entry into force of the Second Amendment of the Articles—through an increase in the size of each credit tranche by 45 per cent. Two other special facilities that augment the amount of conditional liquidity available at given quotas are the buffer stock facility and the extended Fund facility.[9] The buffer stock facility is not sufficiently general in the scope of its application to be counted as adding significantly to conditional liquidity, and the extended Fund facility has so far been used by only two countries.

Utilization of the Fund's drawing facilities has increased sharply in 1975 and 1976, partly under the impact of the extensive use made of the oil facility and the compensatory financing facility. At the end of June 1976, outstanding drawings amounted to SDR 13½ billion, the highest in the Fund's history. Although drawings under the oil facility, which accounted for approximately one half of outstanding drawings, were financed from borrowed resources, the record level of utilization of the remaining drawing facilities as a result of recent large payments imbalances has substantially reduced the Fund's liquidity.

The international community has already agreed to keep under close scrutiny the Fund's ability to fulfill its objectives. The Seventh General Review of Quotas will be accelerated and is to be concluded by early February 1978—within three years, instead of the normal five years, of the last review—thus providing a timely opportunity to reassess in detail the capacity of the Fund to continue playing its central role, under changing world conditions, of both providing balance of payments financing where needed and encouraging all members to follow appropriate adjustment policies.

[9] For a description of these facilities, see *Annual Report, 1975*, pages 52–53 and 54–55; see also page 52 of this Report.

Chapter 3
Activities of the Fund

The period under review was an exceptionally important one for the future development of the Fund and for the evolution of the international monetary system. The principal developments during the period were as follows:

- The completion of negotiations on, and the approval by the Board of Governors of, a comprehensive amendment to the Fund's Articles of Agreement, culminating more than four years of intensive effort on international monetary reform.
- The completion of the Sixth General Review of Quotas providing for an increase of nearly SDR 10 billion in the quotas of Fund members, to a total of SDR 39 billion.
- An enlargement and extension of the oil facility through February 1976.
- The establishment of a Subsidy Account in order to reduce for the most seriously affected members the burden of interest payable under the oil facility.
- A substantial liberalization of the compensatory financing facility to provide greater access by members encountering balance of payments difficulties caused by temporary export shortfalls.
- An expansion, pending the coming into effect of the proposed second amendment of the Articles, of the access by all members to the Fund's resources through enlarging the size of each credit tranche by 45 per cent.
- Agreement on arrangements to reduce the Fund's gold holdings by one third (50 million ounces), of which one half (25 million ounces) is to be sold through public auctions for the benefit of developing countries and the remainder distributed proportionately to members at a price of SDR 35 per ounce.
- The establishment of a Trust Fund, to be administered by the International Monetary Fund, for the purpose of providing special balance of payments assistance to developing countries. The resources of the Trust Fund will consist of the profits from the sale of gold, as well as any contributions and loans that may be made to it.
- A substantial expansion in members' use of the Fund's resources, with total financial assistance from all facilities amounting to a record SDR 6.6 billion during the fiscal year.

Decisions by the Executive Directors on these matters were made possible by the discussions held and the understandings reached in the meetings of the Interim Committee of the Board of Governors on the International Monetary System (the Interim Committee) and the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (the Development Committee). During the fiscal year, both Committees held meetings in Paris in June 1975 (as reported in last year's Annual Report), in Washington in September/October 1975, and in Kingston, Jamaica, in January 1976. The communiqués issued after the fourth and fifth meetings of the Interim Committee and the Development Committee are reproduced in Appendix III. The topics mentioned earlier, as well as other activities of the Fund, are dealt with in greater detail in succeeding sections of this chapter.

Proposed Second Amendment

The efforts, both in the Fund and elsewhere, that have been directed to international monetary reform over the past four years culminated in March 1976, when, following the accord reached by the Interim Committee at its meeting in Jamaica in January 1976, the Executive Directors completed their work on the drafting of the Proposed Second Amendment of the Articles of Agreement of the Fund. The Proposed Second Amendment evolved from the work on international monetary reform undertaken by the Committee on Reform of the International Monetary System and

Related Issues (the Committee of Twenty), established in July 1972. The Committee's final report, together with an Outline of Reform, was presented to the Board of Governors on June 14, 1974. In that report, it was recognized that priority should be given to certain aspects of reform and Part II of the Outline proposed a number of immediate steps, including the preparation of draft amendments to the Articles of Agreement.

Work on the proposed amendments was completed by the Executive Directors after nearly two years of drafting and negotiation under the general guidance of the Interim Committee. In comparison with the 1969 Amendment, the principal feature of which was the creation of the SDR, the proposed modifications of the Articles are extensive. The proposed Articles will go a long way to adapting the Fund and its operations to present-day conditions and, when they become effective, they will represent an important stage in the evolution of a reformed monetary order.

The Resolution approving the Second Amendment was adopted by the Board of Governors on April 30, 1976. The Second Amendment will become effective when it has been accepted in accordance with their constitutional procedures by three fifths of the members having four fifths of the total voting power. When it becomes effective, the Second Amendment will enter into force for all members, whether they have accepted it or not.

A detailed commentary on the proposed modifications is contained in the report by the Executive Directors to the Board of Governors entitled "Proposed Second Amendment to the Articles of Agreement of the International Monetary Fund," which accompanied the Resolution and Proposed Amendment. The major topics of the amendment relate to the exchange arrangements that members may apply, the diminishing role of gold in the international monetary system, changes in the characteristics and expansion in the possible uses of the SDR, and simplification and expansion of the types of the Fund's financial operations. Several main areas of change are discussed below.

(a) *Exchange arrangements of each member's choice; the possible adoption of particular general arrangements; and the possible adoption of a system of par values that members will have an option to participate in; subject at all times to general obligations and firm surveillance by the Fund.* The proposed provisions on exchange arrangements are based on the recognition that the essential purpose of the international monetary system is to provide a framework that both facilitates the exchange of goods, services, and capital among countries and sustains sound economic growth. They recognize also that the principal objective is the continuing development of the orderly underlying conditions that are necessary for financial and economic stability. Members will undertake a general obligation to collaborate with the Fund and with other members in order to assure orderly exchange arrangements and to promote a stable system of exchange rates. Members must perform this obligation by observing certain undertakings of a general nature with respect to domestic and external economic and financial policies. These undertakings will require each member to endeavor to direct its economic and financial policies toward the objective of fostering orderly economic growth with reasonable price stability, with due regard to its circumstances. Each member will also be required to seek to promote stability by fostering orderly underlying economic and financial conditions and a monetary system that does not tend to produce erratic disruptions; each member must avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustments or to gain an unfair competitive advantage over other members. Members must follow exchange policies compatible with these undertakings. Although the obligations will be general in scope, the differing circumstances, needs, and problems of members will be recognized.

The general obligation and specified undertakings will apply to all members at all times. Members will be free, however, to apply the exchange arrangements of their choice. The Fund will be able, by decisions taken by a high majority of the total voting power, to recommend general exchange arrangements that accord with the development of the international monetary system, but without limiting the freedom of members to choose the specific exchange arrangements they prefer. The Fund will be required to oversee the international monetary system in order to ensure its effective operation and to oversee the observance by each member of its obligations. In essence, the proposed amendments will give members freedom of choice in their exchange arrangements, but not freedom of behavior in the sense that members will accept certain obligations and surveillance by the Fund.

The new provisions on exchange arrangements reflect the need for greater flexibility in exchange rates. However, the Fund will be able to determine, by a high majority of the total voting power, that in accordance with specified criteria, international economic conditions permit the introduction of a system based on stable but adjustable par values, whereupon provisions governing such a system will apply. Each member will then establish a par value unless it intends to apply other arrangements. The new provisions regarding par values are intended to ensure greater flexibility than the comparable provisions in the present Articles. For example, members will not be bound to establish par values; the margins for exchange transactions based on the parity relationships between currencies for which par values have been established will be wider than those under the present Articles; and the Fund will have authority to change the margins. In addition, a member will be able to abandon a par value without immediately establishing a new one, unless the Fund decides otherwise by a high majority of the total voting power. Upon the entry into effect of the Second Amendment all par values established under the present Articles will cease to exist for the purposes of the amended Articles.

(b) *A reduction in the role of gold in the international monetary system, including the disposition of part of the Fund's own holdings of gold.* The most important changes in this respect will be as follows: (i) the function of gold as the unit of value of the SDR will be eliminated and its role as common denominator of the par values of currencies will be ended; (ii) the official price of gold will be abolished and members will be free to deal in gold in the market and among themselves; (iii) obligatory payments in gold by members to the Fund and by the Fund to members will be abrogated, and the authority of the Fund to accept gold will be eliminated except under decisions taken with a high majority of the total voting power; (iv) the Fund will be required to complete the disposition of 50 million ounces of gold, and will be able to decide on the disposal of the remainder of its gold holdings in various ways by sale on the basis of prices in the market or at the official price in effect before the Second Amendment; (v) profits on the sale of gold on the basis of prices in the market will be placed in a Special Disbursement Account for use in the ordinary operations and transactions of the Fund or for other uses, including those for the benefit of developing members in difficult circumstances; (vi) the Fund, in its dealings in gold, will be required to avoid the management of the price, or the establishment of a fixed price, in the gold market; and (vii) members will undertake to collaborate with the Fund and with other members in order to ensure that their policies with respect to reserve assets will be consistent with the objectives of promoting better international surveillance of international liquidity and of making the SDR the principal reserve asset in the international monetary system.

(c) *Changes in the characteristics and expansion of the possible uses of the SDR.* The proposed modifications in the provisions relating to the SDR will contribute to the attainment of the objective of making the SDR the principal reserve asset in the international monetary system. Under the new Articles, (i) the principle of valuing the SDR may be determined by the Fund, by a high majority; (ii) participants will be able to enter into transactions by agreement without the necessity for general or special decisions by the Fund, and transfers of SDRs in such transactions will not be subject to the requirement of need to use reserve assets; (iii) the Fund may, subject to appropriate safeguards, authorize operations involving SDRs between participants that will not otherwise be provided for by the Articles; (iv) the Fund may broaden the categories of other holders of SDRs, although not beyond official entities, and the operations and transactions in which they may engage; (v) the Fund may review the rules for reconstitution of participants' holdings of SDRs at any time and may adopt, modify, or abrogate the rules by a lower majority of the total voting power than is necessary at present; (vi) the SDR replaces gold as a means of payment by members to the Fund and by the Fund to members, and its possible use in operations and transactions conducted through the Fund's General Department (presently the General Account) will be expanded; and (vii) the value of the currencies held in the General Resources Account of the General Department must be maintained in terms of the SDR in accordance with exchange rates determined for the purpose of transactions in SDRs.

(d) *Simplification and expansion of the types of the Fund's financial operations and transactions, particularly those conducted through the General Department.* The Fund's holdings of the currencies of all members will be usable by the Fund in its operations and transactions in accordance with its policies. For use of the Fund's general resources, which is no longer provided for in terms of a particular currency needed for making payments in that currency, the Fund will select the currencies to be sold on the basis of policies that take into account the balance of payments and reserve position of members and developments in the exchange markets. The currency budgets established on the basis of these policies will have an express legal basis comparable to the legal basis of the designation plans for the acceptance of SDRs by participants. Similar criteria will be applied for both purposes. Members purchasing other members' currencies from the Fund will be able to use them, directly or indirectly, to meet their balance of payments need. Similarly, members will be able to acquire the currencies that the Fund specifies for use in repurchase.

The Fund's policy on repurchase, which is designed to ensure that the use of the general resources will not extend beyond three to five years, unless a longer period is permitted under a special policy on use, has been incorporated in the Articles. The detailed formulas of the present Articles on repurchase and on the calculation of monetary reserves that governed the accrual of repurchase obligations and the determination of the media of payment will be deleted from the Articles.

The Fund will be able to provide a participant with the currencies of other members in return for SDRs or with SDRs in return for the currencies of other members.

The Fund will have more extensive authority to permit members to engage in transactions under special policies, for example, the Fund's buffer stock facility, without at the same time forgoing their reserve tranche positions (presently called gold tranche positions).

Changes have also been made in the provisions determining the level of the Fund's holdings of members' currencies that will govern the payment of remuneration. This level will gradually move toward 100 per cent of quota, as the present level of 75 per cent will be increased by subscriptions paid in connection with quota increases after amendment.

The Fund will have express authority to invest, through an Investment Account established in the General Department, in income-producing and marketable obligations of international financial organizations or members, a part of the currencies held in the General Resources Account and profits from the sale of the Fund's gold, up to a total not exceeding its reserves. The income of the investment may be used to meet operational and administrative deficits of the Fund.

(e) *The possible establishment of the Council as a new organ of the Fund.* The Board of Governors may decide, by a high majority of the total voting power, to call into being a new organ of the Fund, the Council. This organ would resemble the present Interim Committee of the Board of Governors in composition and terms of reference, but, unlike the Committee, it would have powers of decision and not solely advisory authority. The Council would exercise the powers directly conferred upon it by the Articles and any of the powers of the Board of Governors not directly conferred on the Board and delegated by it to the Council. The general functions of the Council would encompass the supervision and adaptation of the international monetary system, including the continuing operation of the adjustment process and developments in global liquidity; and in this connection the Council would have to review developments in the transfer of real resources to developing countries. The Board of Governors could delegate powers exclusively to the Council or concurrently to both the Council and the Executive Board. A Councillor appointed by a group of members would be able to cast separately the number of votes allotted to each member in the group. This is in contrast to the voting of an Executive Director elected by a group of members, who has to cast as a unit all the votes he is entitled to cast.

(f) *Certain improvements in organizational and administrative aspects of the Fund.* The provisions governing the election of Executive Directors will be brought up to date by the incorporation in the Articles of the present number of elective Executive Directors, that is, 15, together with authority to modify that number by a high majority of the total voting power. The 5 members having the largest quotas will continue to have the duty to appoint Executive Directors.

Various changes in nomenclature in use in the Fund will be made. The General Account will henceforth be referred to as the General Department and the Special Drawing Account as the Special Drawing Rights Department. There will be three separate Accounts in the General Department: the General Resources Account, which will hold the general resources of the Fund; the Special Disbursement Account, which could hold the profits on the sale of the Fund's gold; and the Investment Account, which will hold the resources used for and resulting from investment.

The numerous changes proposed in the Second Amendment will make it necessary for the Executive Directors to review the By-Laws, Rules and Regulations, and general decisions of the Fund to ensure that they are compatible with the revised Articles and that they provide the necessary operating principles and procedures.

Sixth General Review of Quotas

Effective March 22, 1976, the Board of Governors approved a Resolution on Increases in Quotas of Members—Sixth General Review, under which the total of present quotas, amounting to SDR 29.2 billion, will be raised to the equivalent of SDR 39 billion, if all members consent to the full quota increases proposed for them in the Resolution. The texts of the Resolution and the Report of the Executive Directors on the Sixth General Review of Quotas are reproduced in Appendix II of this Report.

The subject of the adjustment of quotas in connection with the Sixth General Review of Quotas was first formally discussed by the Executive Directors meeting as a Committee of the Whole in April 1974.[1] Since that time the Directors on many occasions have considered the need for and the size of an increase in the total of quotas, the distribution of the total increase among members, and the mode of payment of increased subscriptions. The Interim Committee also considered the subject of quotas at each of its meetings in 1975 and

[1] In December 1973 the Executive Directors established a Committee of the Whole. The Sixth General Review should have been completed not later than five years after the adoption of Board of Governors Resolution No. 25-3 on the Fifth General Review—that is, February 8, 1975. In the event, partly because of the desire to reach agreement on a range of matters, including individual quota increases and the mode of subscription, the Board of Governors Resolution on the Sixth General Review was adopted only on March 22, 1976. As noted in that Resolution, the Board of Governors in March 1975 and in September 1975 had noted the progress of the work undertaken by the Executive Directors and endorsed the understandings reached by the Interim Committee.

1976 and reached understandings on the main issues, which were subsequently endorsed by the Board of Governors and are reflected in the outcome of the Review.

The principal outcome of the Sixth General Review of Quotas may be outlined as follows:

(i) The quotas of the 128 countries that were members as of March 22, 1976 amounted to SDR 29,211.4 million and these quotas would be increased in aggregate to SDR 39,033 million if all members consented to the maximum quotas proposed for them; this represents an increase of 33.6 per cent over present quotas and compares with an increase in quotas of 35 per cent on the occasion of the Fifth General Review in 1970.

(ii) The proposed quotas of the major oil exporting countries represent 9.88 per cent of the total of proposed quotas, compared with a share of 4.98 per cent of present quotas; the share of all other developing countries remains virtually unchanged at 20.92 per cent; the combined share of the group of industrial countries and the group of other developed and more advanced developing countries falls from 72.23 per cent in the present Fund to 67.80 per cent in the enlarged Fund; the share of the Republic of China, for which no quota increase was proposed, falls from 1.88 per cent to 1.41 per cent of the enlarged total.

(iii) As regards the mode of payment for the increased subscriptions, members consenting to increases under the Sixth Review have an option to pay the former "gold" portion of the increase in SDRs, the currencies of other members specified by the Fund, subject to their concurrence, or in the members' own currencies without an obligation to repurchase. As in the past, the balance of the increase in quota must be paid in the member's own currency.

(iv) Within six months after the date of the adoption of the Board of Governors Resolution on the Sixth General Review, a member shall make arrangements satisfactory to the Fund for the use of its currency in the operations and transactions of the Fund in accordance with the Fund's policies. The Executive Directors would be able to extend the period within which such arrangements shall be made.

(v) No provision is made on this occasion for increasing quotas by installments as was possible in earlier quota reviews. A member will be able, however, to consent to an increase smaller than the maximum provided for and to consent to further increases up to the maximum proposed at a later date within the period for consent.

(vi) To give members time to take any necessary legislative action as well as to make arrangements to pay increased subscriptions, a member may consent to the increase in its quota at any time up to the end of one month following the effective date of the second amendment. The period of consent may, however, be extended by the Executive Directors, if circumstances warrant.

(vii) The increases in quotas under the Board of Governors Resolution will not become effective until the required degree of participation is reached—that is, when the Fund determines that members having not less than three fourths of the total of quotas on February 19, 1976 have consented to increases in their quotas.

(viii) The increase in a member's quota under the Resolution will take effect on the latest of four relevant dates: the member's consent to the increase in quota; the payment of the increased subscription; the date on which the Second Amendment of the Articles becomes effective; and the date the Fund determines that the required degree of participation is reached.

(ix) Members must pay the increase in subscription within 60 days after the date on which the member notifies the Fund of its consent, or the effective date of the Second Amendment of the Articles, or the date on which the participation requirement is met, whichever is the latest.

(x) The next general review of quotas is to be completed by February 9, 1978.

Special Drawing Account

Overall activity in the Special Drawing Account set a record during the fiscal year, with the total use by participants of SDRs, at SDR 1,285 million, showing an increase of 55 per cent over the preceding year. However, the figures on use during the fiscal year are inflated by transactions involving the United Kingdom, which effected a repurchase and a purchase from the General Account amounting to SDR 396 million, with both transactions taking place on the same day. The previous maximum use of SDRs by participants in a fiscal year was in 1971/72 when SDR 1,187 million was transferred. Almost two thirds of total use in the past fiscal year, SDR 817 million, involved the transfer of SDRs to the General Account mainly in connection with repurchases and the payment of charges in SDRs on the use of the Fund's resources; the balance, amounting to SDR 468 million, was accounted for by designated transactions and transactions by agreement.

The large flow of SDRs to the General Account was more than offset by transfers from the General Account to participants, aggregating SDR 865 million during the year. Apart from the U.K. transaction a further SDR 47 million was sold in purchases; transfers to promote reconstitution accounted for SDR 404 million. The net effect of these transactions was to reduce the holdings in the General Account to SDR 461 million on April 30, 1976, compared with SDR 510 million at the end of the previous fiscal year.

The pattern of transactions and operations involving special drawing rights resulted in a further increase in the holdings of SDRs by the industrial countries. Their holdings increased by about SDR 207 million during the fiscal year, amounting to 75.5 per cent of total net cumulative allocations on April 30, 1976. The increase was accounted for largely by net receipts of SDRs by the Federal Republic of Germany, the Netherlands, and the United States. The holdings of the other developed and more advanced developing countries declined by SDR 78 million, to 4.4 per cent, and those of the developing countries (including the major oil exporters) declined by SDR 79 million, to 15.2 per cent of total net cumulative allocations.

There was no allocation of SDRs during the fiscal year, and thus the total of SDRs in existence remained unchanged at SDR 9,314.8 million. No proposal was made by the Managing Director on future allocations of SDRs.

Transactions with Designation

Notwithstanding a record expansion in the overall level of the Fund's activities during 1975/76, the role of SDRs as a means of financing participants' balance of payments deficits was rather limited. During the fiscal year only 8 participants used SDRs in transactions with designation to meet their balance of payments need, against 20 participants in 1974/75; the total amount involved in these transactions also declined, decreasing from SDR 440 million in 1974/75 to SDR 292 million. The decline in this category of transactions reflected the relatively low levels of holdings on the part of many participants and the effect of recurrent needs of a large number of participants to acquire SDRs to promote reconstitution.

The principal users of SDRs in transactions with designation during the fiscal year were Argentina, Australia, Indonesia, Mexico, and Peru; they accounted for 95 per cent of the total amount used in this category of transactions. In all, 17 participants provided currency in exchange for SDRs and over 75 per cent of the total amount was provided by the United States, France, the United Kingdom, and Iran. Details of the designated transactions are given in Table 17.

Transactions by Agreement

Transactions by agreement between participants totaled SDR 176 million during the fiscal year, compared with SDR 249 million in 1974/75. As in the previous year, all such transactions were in settlement of obligations that had arisen as a result of intervention in the exchange markets under the European Monetary Cooperation Agreement. Details of these transactions are given in Table 18.

Table 17. Use and Receipt of SDRs in Transactions with Designation, Fiscal Year Ended April 30, 1976

(In thousands of SDRs)

Participant	Use	Receipt
Argentina	105,000	—
Australia	50,000	—
Austria	—	8,000
Brazil	—	7,000
France	—	80,500
Indonesia	50,000	3,000
Iran	—	17,000
Iraq	—	5,000
Ireland	—	4,000
Jamaica	3,500	—
Japan	—	3,000
Malaysia	—	4,000
Mexico	43,000	—
Nigeria	—	5,000
Peru	30,000	—
Philippines	—	4,000
South Africa	—	12,000
Spain	—	5,000
Sudan	10,000	—
Tunisia	—	2,000
United Kingdom	—	21,500
United States	—	105,670
Venezuela	—	5,000
Western Samoa	170	—
Total	291,670	291,670

Table 18. Use and Receipt of SDRs in Transactions by Agreement, Fiscal Year Ended April 30, 1976

(In thousands of SDRs)

Participant	Use	Receipt
Belgium	67,890	8,328
France	78,338	—
Germany, Fed. Rep. of	30,419	146,228
Netherlands	—	22,091
Total	176,647	176,647

Transactions and Operations Between Participants and the General Account

As indicated earlier, transactions and operations between participants and the General Account constituted by far the largest proportion of the total of transactions and operations in SDRs during the fiscal year. Transfers of SDRs by participants to the General Account by way of repurchases increased from SDR 24 million in 1974/75 to SDR 440 million during 1975/76, of which, as mentioned earlier, SDR 396 million was accounted for by a repurchase by the United Kingdom. The United Kingdom, however, made a purchase of the same amount on the same day as part of its gold tranche purchase, so that these transactions had no net effect on the SDR holdings of either the United Kingdom or the General Account. Use of SDRs in settlement of charges in the General Account increased from the previous year's total of SDR 92 million to a record SDR 354 million during the fiscal year, reflecting both the expanded use of the Fund's resources and an increase in the rate at which charges on balances in excess of quota are levied.

A total of SDR 865 million was transferred during the fiscal year to participants from the General Account, of which SDR 404 million was transferred to promote reconstitution of participants' holdings of SDRs. Other transfers included payment of remuneration (SDR 10 million), interest payments on the Fund's borrowing in connection with the oil facility (SDR 8 million), and purchases from the General Account by Bangladesh, Grenada, Papua New Guinea, Portugal, and Romania (SDR 44 million) to pay charges in connection with their use of the Fund's resources. These latter members had not received allocations of SDRs.

Reconstitution

The rules for reconstitution require participants, over five-year periods ending in successive calendar quarters, to maintain their average holdings of SDRs at not less than 30 per cent of the average of their net cumulative allocations. During the fiscal year, 31 participants acquired SDR 404 million from the General Account for the purpose of promoting reconstitution of their holdings. This compares with acquisitions by 30 participants amounting to SDR 117 million in 1974/75. Of the total acquisitions in the fiscal year, SDR 293 million was acquired against currencies acceptable to the Fund and SDR 111 million as part of purchases from the General Account. (See Table 19.) The sharp increase in the amount acquired by participants to promote reconstitution during the year reflected mainly the effect of large-scale payment of quarterly charges to the General Account. For many participants, the need for reconstitution of their holdings arose each time they used SDRs for payment of charges.

BIS as a Holder of SDRs

The Bank for International Settlements (BIS) was prescribed as a holder of SDRs in January 1974. As in the preceding year, there were no transactions in SDRs between the BIS and participants during 1975/76.

Valuation of SDR, Its Interest Rate, and the Rate of Remuneration

The valuation of the SDR by means of a basket of currencies came into effect on July 1, 1974, and was accompanied by an increase in the rate of interest on the SDR from 1.5 per cent to 5 per cent. The increase in the rate of interest followed an Executive Board decision which prescribed that, unless the Executive Directors decided otherwise, the rate of remuneration and also the interest rate on the SDR should be determined by a formula which is based on a weighted average of the rates of interest on five market instruments quoted in the United States, the Federal Republic of Germany, the United Kingdom, France, and Japan. As a result of semiannual reviews by the Executive Directors and in the light of a generally declining trend in the market rates, the interest rate was lowered to 3.75 per cent on July 8, 1975 and to 3.50 per cent on January 1, 1976 in accordance with Rule I-10.

In June 1976, the Executive Directors completed reviews of the valuation of the SDR, the rate at which the Fund pays remuneration on super gold tranche positions, and the rate of interest on the SDR. Under the Articles of Agreement, the rates of interest and charges on SDRs may not be more than the rate of remuneration when the latter is above 2 per cent. As a result of the review, it was decided to make certain changes in Rule I-10 so as to make the rate of remuneration and the SDR interest rate more responsive to variations in market interest rates. Unless the Executive Directors decide otherwise, the rate of remuneration for each calendar quarter shall be three fifths of the weighted average of short-term market interest rates in

Table 19. Acquisitions of SDRs for Reconstitution from the Fund's General Account, January 1, 1972–April 30, 1976

(In millions of SDRs)

	1972		1973		1974		1975		1976 Jan. 1–Apr. 30		Total	
	Amount	Number of Transactions	Amount	Number of Transactions	Amount	Number of Transactions	Amount	Number of Transactions	Amount	Number of Transactions	Amount	Number of Transactions
Against currency acceptable to Fund	39.3	27	140.0	60	92.1	57	124.4	79	190.8	37	586.6	260
In purchases	64.2	8	38.0	9	27.8	8	65.8	8	49.6	2	245.4	35
Total	103.5	35	178.0	69	119.9	65	190.2	87	240.4	39	832.0	295

the United States, the Federal Republic of Germany, the United Kingdom, France, and Japan, rounded to the nearest ¼ per cent. This combined market rate shall be the weighted average of the daily interest rates in these five countries for the six-week period ending on the fifteenth day of the last month before the calendar quarter for which the rate of remuneration is determined.

For the calendar quarter beginning on July 1, 1976 the rate of remuneration was set at 3.75 per cent per annum, compared with the previous rate of 3.50 per cent. The rate of interest and charges on special drawing rights for the same calendar quarter was also set at 3.75 per cent.

The new decision on the rate of remuneration and the interest rate on the SDR will be reviewed in three years.

No change was made in the method of valuation of the SDR that was announced on June 13, 1974.[2]

Transactions and Operations in the General Account

Members' use of the resources of the General Account accelerated further during the fiscal year 1975/76, with purchases aggregating SDR 6,591 million, compared with SDR 5,102 million in 1974/75. By far the bulk of total purchases for 1975/76 was accounted for by purchases under the oil facility (SDR 3,966 million), in the gold tranche (SDR 1,324 million), and under the compensatory financing facility (SDR 828 million). Purchases in the credit tranches, including those under stand-by arrangements, amounted to SDR 461 million. The end of 1973 might be regarded as the onset of the international crisis associated with the oil price increase and the widespread recession in the industrial countries, and in the two and one-half years since then, members have purchased the equivalent of SDR 13,619 million from the General Account. Repurchases over the same period amounted to SDR 1,837 million. On April 30, 1976, the amount of purchases subject to repurchase reached a record level equivalent to SDR 12 billion. The structure of members' indebtedness to the Fund under the various facilities is shown in Chart 13.

The rapid increase in the use of the Fund's resources since the end of 1973 has been a reflection both of the widespread and large-scale need for financing deficits on the current account of the balance of payments by the non-oil exporting members and of the response of the Fund to this need in enlarging members' access to its resources. In this latter regard, the Executive Board decided in June 1974 to establish a special facility to provide, for a period through December 1975, financing to members facing balance of payments problems in 1974 caused by increases in the costs of petroleum and petroleum products ("the oil facility"). In April 1975 they decided to continue to provide resources for this purpose with respect to the year 1975. As under the oil facility for 1974, the Fund financed transactions under the 1975 oil facility by borrowing. Final purchases under this facility were made in May 1976. Between September 1974 and May 1976, the Fund disbursed the equivalent of almost SDR 7 billion to 55 member countries under the oil facility.

Toward the end of December 1975, as detailed further below, the Executive Directors agreed on a major liberalization of the facility for the compensatory financing of export fluctuations and in the following six months 25[3] members purchased SDR 956[3] million under the facility.[4]

Following the Jamaica meeting of the Interim Committee in January 1976, the Fund decided to extend temporarily the size of each credit tranche by 45 per cent. The Fund will apply the tranche policy on the basis of the increase in credit tranches from 25 per cent to 36.25 per cent of quota until the effective date of the prospective amendment of the Articles. There has been relatively little impact of the enlargement of the size of each credit tranche on the amount of purchases so far.

In May 1976, and reflecting previous understandings by the Interim Committee, the Fund decided on the policies and procedures regarding the disposition of 50 million ounces of the Fund's gold holdings. Of the amount to be disposed of, 25 million ounces are to be distributed to members in proportion to their quotas on August 31, 1975 and the remainder is to be sold, over a four-year period, in public auctions by the Fund in its capacity as Trustee to the Trust Fund. The Trust Fund was established in May 1976 to provide special balance of payments assistance to developing members from profits from the sale of gold, as well as from voluntary contributions or loans that may be available, and is administered by the Fund as Trustee. The Fund's first public auction of gold was held on June 2, 1976 and the second on July 14, 1976. An amount of 780,000 ounces of gold was awarded at each auction and the net proceeds accruing to the Trust Fund from the two auctions totaled about US$130 million.

Purchases in the Tranches

During the fiscal year, 32 members made purchases in the tranches for an amount equivalent to SDR 1.8

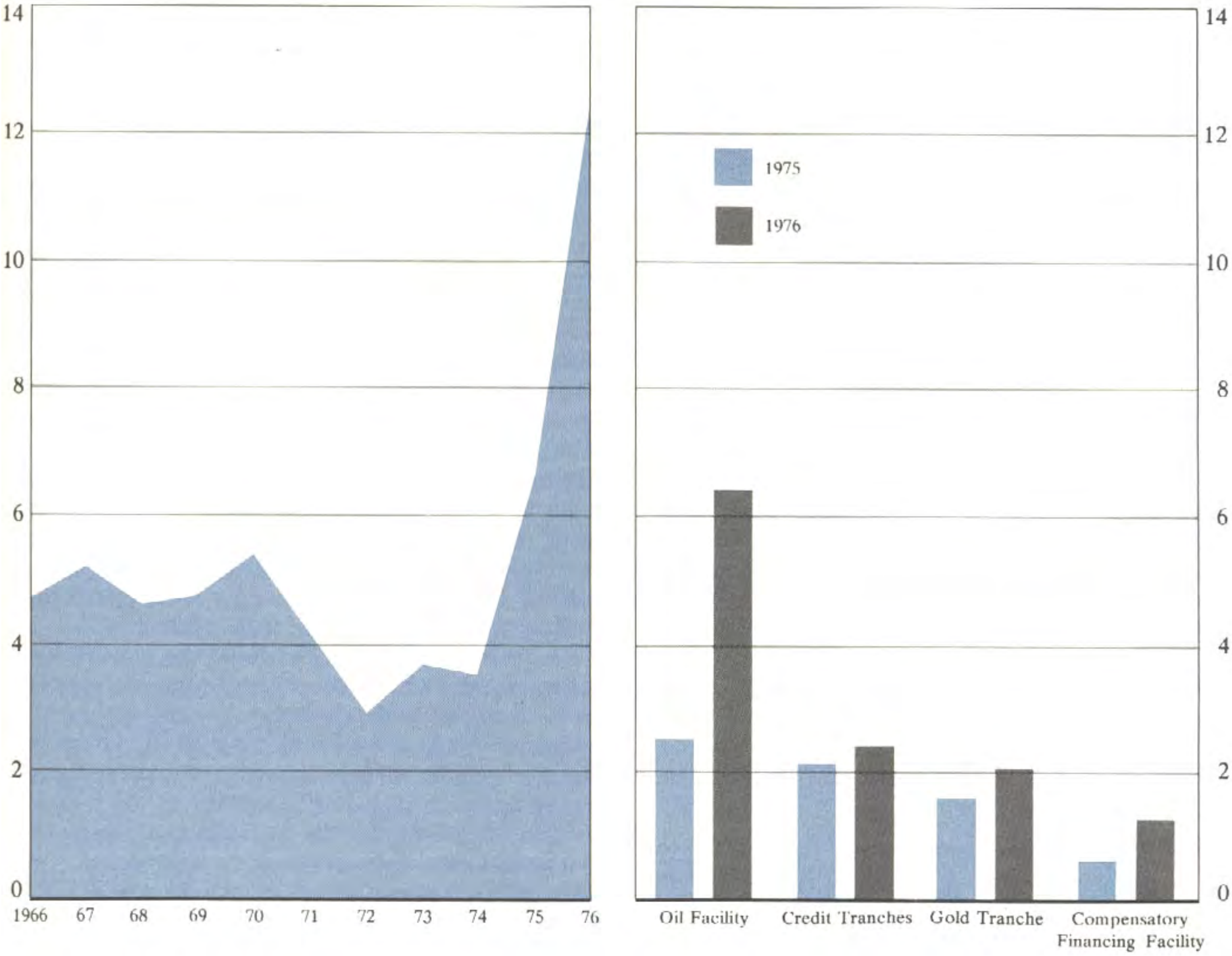
---

[2] See *Annual Report, 1974,* page 116.

[3] This includes SDR 2.5 million purchased that was reclassified on May 10, 1976 as made under the compensatory financing decision.

[4] In addition, on July 8, 1976 Australia purchased SDR 332.5 million.

Chart 13. Purchases Outstanding, April 30, 1966–76
(In billions of SDRs)



billion, which was about two thirds of the amount purchased in the previous year. A large proportion of this total was accounted for by purchases in the gold tranche amounting to the equivalent of SDR 1.3 billion. Of a total of 21 members who made gold tranche purchases, only 7 members did not make subsequent drawings under stand-by arrangements or under the oil facility; purchases of 2 of these 7 members, France and the Federal Republic of Germany, were for SDR 78.3 million and SDR 30.4 million, respectively, in connection with the settlement of liabilities under the European common margins arrangement. The United Kingdom made a gold tranche purchase of SDR 700 million.

Purchases under stand-by arrangements totaled the equivalent of SDR 304 million, compared with SDR 1,298 million in the previous year, which had included a purchase of SDR 1,000 million by Italy. During the year, 18 stand-by arrangements were approved for a total of SDR 1,188 million. The largest of these arrangements was that approved for the United Kingdom for SDR 700 million in December 1975, the full amount of which was purchased in May 1976.

Other purchases, made by six members in the credit tranches, amounted to SDR 157 million.

As noted earlier, the Executive Board decided, following agreement of the Interim Committee at its Jamaica meeting, to increase the size of the Fund's credit tranches by 45 per cent in order to increase members' access to the Fund's resources until the proposed amendment to the Articles of Agreement became effective. This means that the total access under the credit tranches is increased from 100 per cent to 145 per cent of quota, while the present conditionality for the tranches remains unchanged. The Interim Committee also agreed on the possibility of further assistance in exceptional circumstances. The Committee also agreed to consider in due course "the question of access to the Fund's resources if it becomes evident that the needs of members make it advisable to re-examine this question." During the past fiscal year two members made use of the enlarged first credit tranche to a total amount equivalent to SDR 85.5 million.

As of April 30, 1976, a total of 55 members had gold tranche purchases subject to repurchase equivalent to SDR 2,025 million and 32 members had credit tranche purchases outstanding equivalent to SDR 2,361 million, or 51 per cent of their aggregate quotas.

Buffer Stock Facility

In May 1975, the Fund approved a purchase by Bolivia, amounting to SDR 4.7 million, under the buffer stock financing facility. Since its inception in June 1969, five members have purchased a total of SDR 30 million under this facility.

Extended Fund Facility

During the year, the Fund approved two arrangements under the extended Fund facility. One arrangement was for SDR 67.2 million approved for Kenya in July 1975, and another was for SDR 217 million approved for the Philippines in April 1976. Both these extended arrangements were for the maximum permissible amounts of 140 per cent of quota.[5] Kenya, in August 1975, purchased the equivalent of SDR 7.7 million under its arrangement.

Compensatory Financing of Export Fluctuations

In 1975/76 purchases under the compensatory financing facility amounted to a record SDR 828 million, bringing the amount outstanding under the facility on April 30, 1976 to SDR 1,208 million. Most of the purchases were made after the facility had been amended on December 24, 1975,[6] with 25[7] members purchasing a total of SDR 956[7] million under the facility in the first six months of 1976. Since the inception of the compensatory financing facility in 1963 up to its amendment in December 1975, disbursements under the facility averaged SDR 82 million a year, rising to a peak of SDR 300 million in 1972.

The emergence of a world economic environment radically different from that prevailing in the earlier years of the facility's operation raised questions about the adequacy of the original provisions in serving their intended purpose. In particular, the rise in oil prices since 1973, the acceleration of the rate of inflation, and the world recession in 1974/75 further intensified the payments problems of many primary producing countries, as weakness in international demand and prices for their products hampered export growth, even in nominal terms.

The principal changes made in the facility as a result of the decision taken on December 24, 1975 cover both the provisions regarding the maximum entitlement under the facility in terms of quota and the method of calculating export shortfalls. Thus, the limit on drawings during a 12-month period is increased from 25 per cent of a member's quota to 50 per cent and for the maximum amount that may be outstanding from 50 per cent to 75 per cent of quota. At the same time, the joint limit of 75 per cent of quota that previously applied to purchases under both the compensatory facility and the buffer stock facility has been removed. The new decision maintains the definition of an export shortfall as the downward deviation of exports in the shortfall year from the medium-term trend centered on that year. The trend is measured as the arithmetic average of five years, of which the last two are based on export forecasts. The new decision, however, eliminates the upper and lower limits on export forecasts for the two post-shortfall years, thereby providing for greater flexibility, particularly during periods of high inflation.

The new decision also introduced the possibility of basing export shortfalls on partially estimated data for up to six months of the shortfall year. This provision is designed to serve the twin objectives of (a) improving the timeliness of assistance through the possibility of a drawing being made before the end of the shortfall year, and (b) extending the possible use of the facility to members previously denied access to it because their trade data are more than six months in arrears. The late-reporting members also benefit from the provision in the new decision by which ordinary drawings made up to 18 months before the request (formerly 6 months) can be reclassified as compensatory.

A substantial increase in the use of the facility following its amendment in December 1975 was to be expected, considering the severe impact of the world recession on the export trade of most primary producing countries in 1975. Export earnings were thus depressed in 1975, and with the recovery in world economic activity under way a fairly rapid growth in exports could be projected, thereby making a larger number of countries eligible to use the facility. The doubling of the quota limits for purchases within a 12-month period is also important in explaining the sharp increase in drawings under the new decision. In addition, two members basing their requests on partly estimated data were able to draw under the facility some months earlier than would have been possible previously, that is, before the conclusion of the shortfall years. The extension of the reclassification period to

[5] For a description of both the buffer stock facility and extended Fund facility, see *Annual Report, 1975*, pages 52–55.
[6] Executive Board Decision No. 4912-(75/207), adopted December 24, 1975 and reproduced in Appendix II.
[7] See footnote 3.

18 months has so far benefited one member that otherwise might not have been eligible to draw.

The decision taken in December 1975 required the Fund to review the decision not later than March 1977, but in any event whenever drawings under the decision in any 12-month period exceeded SDR 1.5 billion or when outstanding drawings exceeded SDR 3.0 billion. In view of the active use made of the facility in the first few months after its amendment, and in anticipation that SDR 1.5 billion would be drawn in 1976, the Executive Board conducted the required review in May and decided to make no change in the provisions.

Repurchases

During the past fiscal year, repurchases amounted to SDR 960 million, compared with SDR 518 million repurchased in 1974/75. The largest repurchase during 1975/76, equivalent to SDR 396 million, was made by the United Kingdom, but an equivalent amount was immediately purchased by the United Kingdom as part of its gold tranche purchase of SDR 700 million. Repurchases equivalent to SDR 529 million, 55 per cent of the total, were made in accordance with schedules approved by the Fund, which provided for repurchase within five years from the date of purchases.

The sum of SDR 327 million, 34 per cent of total repurchases, was in discharge of obligations incurred under Article V, Section 7(*b*), of the Fund Agreement,[8] of which SDR 72 million related to obligations incurred as of April 30, 1975 and the remainder were obligations incurred as of April 30, 1973 (SDR 47 million) and 1974 (SDR 208 million). (See Appendix I, Table I.13.)

Voluntary repurchases amounted to SDR 72 million, of which SDR 62 million was repurchased by India in respect of a compensatory financing purchase. Also included were repurchases of SDR 4 million by Haiti and SDR 5 million by Jamaica relating to gold tranche purchases.

Repurchases equivalent to SDR 22 million were made in respect of purchases under stand-by arrangements in accordance with the repurchase provisions of the arrangements. Other repurchases totaled SDR 10.2 million, of which SDR 5.5 million was repurchased by Grenada and Papua New Guinea under these members' Board of Governors Resolutions on Membership and SDR 4.7 million by 15 members in respect of currency payments in excess of 75 per cent of the increase in quotas in accordance with paragraph 5 of Board of Governors Resolution No. 25-3 on "Increases in Quotas of Members—Fifth General Review."

The Executive Board agreed that four members—the Dominican Republic, El Salvador, the Philippines, and Uruguay—postpone the discharge of Article V repurchase obligations incurred in gold, totaling SDR 9 million, subject to review not later than December 31, 1977. With these postponements, repurchase obligations incurred in gold, the discharge of which had been postponed, amount to SDR 24 million. In the meantime, SDRs have been paid by the members in amounts equal to their obligations in gold.

Oil Facility and Fund Borrowing

As noted earlier, and also in last year's Annual Report, the Executive Directors decided in April 1975 to continue to make resources available to assist members to meet the impact on the balance of payments in 1975 of the increases in costs of imports of petroleum and petroleum products that occurred in recent years.[9] Following agreement by the Interim Committee at its January 1975 meeting, it was also decided that transactions under the oil facility for 1975, as for those under the oil facility for 1974, would be financed by borrowing. The Interim Committee had agreed that loans should be sought to a total of SDR 5 billion and that any unused portion of the loans raised to finance the facility for 1974 would be available for the 1975 facility.

In view of the uncertainty of demands on and finance for the 1975 facility, access by a member was initially set not to exceed 30 per cent of its calculated maximum access, but was raised to 50 per cent at the July 1975 review. Two further reviews of the facility—in December 1975 and February 1976—did not result in any change in the amount of access. At the review in February, however, it was decided that the final amounts of access should be determined by the Fund after March 12, 1976. At the final review of the facility in March 1976, the access was increased to 78.46 per cent of the calculated maximum access.

The latter figure took account of the funds available for financing the remaining purchases by members who had advised the Fund of their intention to request use of the facility by the prescribed date of March 12, 1976.[10]

Purchases under the oil facility during the fiscal year

[8] Article V, Section 7(*b*), provides that, subject to certain limitations, a member shall repurchase an amount of the Fund's holdings of its currency equivalent to one half of any increase in the Fund's holdings of its currency that has occurred during the Fund's financial year, plus one half of any increase, or minus one half of any decrease, in the member's monetary reserves during the same period, or, if the Fund's holdings of the member's currency have decreased, one half of any increase in the member's monetary reserves minus one half of the decrease in the Fund's holdings of the member's currency.

[9] For descriptions of the working of the oil facility for 1974, see *Annual Report, 1974*, pages 52–53, and for the oil facility for 1975, see *Annual Report, 1975*, pages 53–54.

[10] Under the decision on the oil facility for 1975 of April 4, 1975, members were required to submit statements of their intentions to request purchases not later than the close of business on February 27, 1976. By a decision on February 11, 1976, when the oil facility decision was reviewed by the Executive Board, this date was extended to March 12, 1976.

ended April 30, 1976, and those completed in early May 1976, were made by 46 members in 80 transactions for a total of SDR 4,403.2 million. (Of this amount, the equivalent of SDR 4,319.6 million was purchased under the 1975 facility, and SDR 83.6 million under the 1974 facility.) Oil facility purchases in the previous fiscal year amounted to SDR 2,499.3 million by 38 members in 76 transactions.

Altogether, between September 1974 and May 1976, 55 members purchased the equivalent of SDR 6,902.4 million in 156 transactions. Purchases amounting to SDR 2,538.8 million, or 37 per cent of the total, were made by 45 developing countries, including SDR 401.3 million by India, SDR 252.7 million by Korea, SDR 243.7 million by Chile, and SDR 236 million by Pakistan. (See Appendix I, Table I.11.) Purchases by 2 industrial countries, Italy and the United Kingdom, amounting to SDR 2,455.2 million, accounted for 35 per cent of the total, with Italy purchasing the equivalent of SDR 1,455.2 million in three transactions. Eight "other developed countries" purchased a total of SDR 1,908.4 million, or 28 per cent of the total.

The amount available for the financing of the 1975 facility, totaling SDR 4,319.6 million, consisted of the unused balance of SDR 464.1 million carried over from the 1974 borrowing agreements, SDR 3,120 million under agreements concluded in 1975, and SDR 735.5 million under further agreements concluded early in 1976. Finance for the 1975 oil facility was obtained through new borrowing agreements with 7 of the 9 countries that had lent to the 1974 facility. They were Iran, Kuwait, the Netherlands, Nigeria, Oman,[11] Saudi Arabia, and Venezuela, all major oil exporters, except for the Netherlands. In addition, agreements were concluded with 6 European countries—Austria, Belgium, the Federal Republic of Germany, Norway, Sweden, and Switzerland—and also with Trinidad and Tobago, making a total of 14 countries lending to the 1975 oil facility. (This excludes Abu Dhabi and Canada, for which the unused amounts of the 1974 agreements were carried over for financing drawings under the 1975 oil facility.) In total, SDR 6,902.4 million was borrowed from 17 lenders to finance oil facility purchases for 1974 and 1975. (See Appendix I, Table I.16.)

Interest Payments on Oil Facility Borrowings

The borrowing agreements for the oil facility for 1974[12] provided for interest payments at the rate of 7 per cent per annum; with respect to the agreements for the facility for 1975,[13] this rate was increased to 7.25 per cent per annum. The terms of repayment, under which the Fund shall consult the lender regarding the means by which the payment of interest will be made, remained unchanged. Members are offered one or several currencies selected from the currency budget, their own currency, and, wherever appropriate, SDRs, in accordance with a decision by the Executive Board in November 1974.[14] The decision also stipulated that the Fund would normally express a preference for the lender to choose to receive payments in its own currency first, then the currency selected from the currency budget, and then SDRs.

The interest payments for the quarters ended July 31, 1975, October 31, 1975, January 31, 1976, and April 30, 1976 amounted to the equivalents of SDR 46.2 million, SDR 65.4 million, SDR 84 million, and SDR 107.8 million, respectively, totaling the equivalent of SDR 303.4 million. Of this amount, at the lenders' choice, SDR 275.9 million was paid in U.S. dollars to 15 lenders, SDR 20.5 million in their own currency to 5 lenders, and SDR 7 million in special drawing rights to one lender.

Gold Sales

As noted in last year's Annual Report, the Interim Committee in its meeting in June 1975 agreed the broad principles that were to be observed in finding a solution to the question of the future role of gold. The discussion of this matter was continued in the Interim Committee meeting that took place in August 1975, and the main elements of the agreement reached then were that the official price of gold should be abolished, that members would no longer be obliged to use gold in transactions with the Fund, and that a part of the Fund's gold holdings would be sold for the benefit of the developing members of the Fund and another part would be restituted to member countries. To give effect to these understandings, the countries in the Group of Ten and Switzerland also agreed that there be no action to peg the price of gold, and that the total stock of gold in the hands of the Fund and the monetary authorities of the Group of Ten and Switzerland would not be increased. These arrangements were open to adherence by other member countries, and are to be reviewed after two years. They entered into effect on February 1, 1976; in addition to the Group of Ten and Switzerland, adherence has been indicated by Portugal.

[11] Fiji's discharge of its Article V repurchase obligation had the effect of reducing the Fund's holdings of its currency to 75 per cent of quota. As a consequence, the Fund repaid to Oman the loan of SDR 340,000 made to finance the oil facility purchase by Fiji. Subsequently, Oman agreed to lend to the Fund SDR 500,000.

[12] Executive Board Decision No. 4242-(74/67), adopted June 13, 1974. (See *Annual Report, 1974*, page 124.)

[13] Executive Board Decision No. 4635-(75/47), adopted April 4, 1975. (See *Annual Report, 1975*, pages 94–95.)

[14] Executive Board Decision No. 4490-(74/140), adopted November 6, 1974. (See *Annual Report, 1975*, page 92.)

Regarding the disposal of part of the Fund's gold holdings, the Interim Committee proposed the

> Sale of one-sixth of the Fund's gold (25 million ounces) for the benefit of developing countries without resulting in a reduction of other resources for their benefit, and restitution of one-sixth of the Fund's gold to members. The proportion of any profits or surplus value of the gold sold for the benefit of developing countries that would correspond to the share of quotas of these countries would be transferred directly to each developing country in proportion to its quota . . . .

At its fifth meeting in Jamaica in January 1976, the Interim Committee agreed that simultaneous implementation of the various arrangements for gold should be started without delay. The sale of gold by the Fund as Trustee of the Trust Fund should be made in public auctions over a four-year period. It was also agreed that the profit from the sales of gold—the excess of receipts over the official price of SDR 35 an ounce—would accrue to the Trust Fund.

At the beginning of May 1976 the Executive Directors announced a general gold sales program and the specific terms and conditions for the first public auction of part of the Fund's gold holdings. The auction was held on June 2, 1976. The Directors decided that over the first two years of a four-year sales program commencing with the first auction, auctions would be held approximately every six weeks, and a total of 12.5 million ounces of gold (388.8 metric tons) would be offered for sale. Arrangements for the sale of the second 12.5 million ounces will be announced toward the end of the first two-year period.

Under the present Articles the Fund is able to replenish its holdings of the currencies of members that it needs for conducting its transactions. The Fund has exercised this authority on many occasions in the past. The volume of the Fund's transactions in the recent past has reduced its holdings of the currencies of some members to relatively low levels. At present, therefore, the Fund exercises its power of replenishment by selling gold to augment its holdings of needed currencies but does so with those members that are willing to resell the gold at the Fund's present official price of SDR 35 per ounce to a special account established as a Trust Fund for the benefit of some of the Fund's needier members. The Trust Fund is administered by the Fund as Trustee, and in that capacity, the Fund sells the gold in periodic auctions and obtains resources for conducting the transactions of the Trust Fund.

It is planned that the Trust Fund will offer the same quantity, approximately 780,000 ounces, in each of the 16 public auctions for the first two-year period. However, the exact terms of sale, such as the pricing method, the place of delivery, or the minimum acceptable amount to be bid, may be changed from time to time. Bids may not be submitted by the governmental or monetary authorities of a member of the Fund or by an agent acting on behalf of these authorities at a price inconsistent with the Articles of Agreement of the Fund, but the Bank for International Settlements may submit bids. Bidders will be regarded as bidding on their own behalf if they submit bids in their own name and for their own account, and acquire the ownership of the gold awarded to them. After the Proposed Second Amendment of the Fund's Articles of Agreement becomes effective, members of the Fund may submit bids in the auctions.

As mentioned, the major part of the profits from the gold sales will provide resources to the Trust Fund. The portion of profits corresponding to the share of developing countries in Fund quotas will be transferred directly to those countries. Among those countries, a member that would prefer to have its share in gold rather than in currency will have an option at one or more of the auctions held after the Second Amendment to submit noncompetitive bids. This would mean that the member would pay, for example, either the average price in a bid price auction or the common price, depending on which pricing method was in effect for the auction at which gold was purchased, and would pay for the gold in currency prescribed by the Fund. Such bids may be submitted for that part of 25 million ounces that corresponded to the member's share in Fund quotas at the end of August 1975.

It is planned that the sale of 25 million ounces at the official price to all member countries will be carried out in annual installments beginning about six months after the first auction. However, members that have a balance of payments need will be authorized to postpone their participation in the gold distribution until after the Second Amendment is in effect, when they will be able to purchase gold for their own currencies. Members using their own currency to purchase gold may need in due course to repurchase that currency in assets acceptable to the Fund.

At the first auction on June 2, 1976 gold was offered for delivery in New York. Bids were to be in multiples of 400 ounces with a minimum bid of 2,000 ounces. The Fund awarded 780,000 troy ounces of fine gold—the total amount for which bids were invited—to successful bidders at a common price of US$126.00. Bids were received for a total quantity of 2,320,000 ounces. The prices at which bids were submitted by successful bidders ranged from US$126.00 to US$134.00 and averaged US$126.98.

In its second auction held on July 14, 1976, the Fund awarded 780,000 troy ounces of fine gold to successful bidders at a common price of US$122.05 an ounce. The bids received totaled 2,114,000 ounces, and the prices at which bids were submitted by successful bidders ranged from US$122.05 to US$126.50 an ounce and averaged US$123.02.

Use of Currencies in Fund Transactions

The various flows of currencies and SDRs into and out of the General Account are reflected principally in the changes in members' creditor positions during the fiscal year.[15] Excluding the amounts of currency borrowed by the Fund, creditor positions increased by SDR 1.37 billion during the year, from SDR 2.37 billion to SDR 3.74 billion. (See Table 20.) Over one third of this increase was accounted for by an increase of SDR 494 million in the creditor position of the United States, mainly as a result of net sales of U.S. dollars and the use of dollars to pay interest on Fund borrowing. The increases in the creditor positions of France (SDR 267 million), Japan (SDR 181 million), the Federal Republic of Germany (SDR 139 million), Venezuela (SDR 75 million), and the Netherlands (SDR 61 million) reflect mainly the use of the currencies of these members in financing the high level of net purchases. The remainder of the increase resulted from net sales of the currencies of 14 other members. In addition, the Fund sold some currencies that it held in excess of 75 per cent of the relevant members' quotas, thereby reducing the amounts to be repurchased by such members.

It is the Fund's policy to sell the currencies of those members whose balance of payments and reserve positions are judged to be sufficiently strong. In determining the amounts of such currencies to be sold, the Fund has allocated them broadly in proportion to these members' gold and foreign exchange holdings. The allocation of the amounts of currencies to be used in repurchases have been calculated proportionately to members' creditor positions in the Fund. As noted in last year's Annual Report, certain modifications were made to these methods of allocating the amounts of currencies to be used in purchases and repurchases. During the fiscal year, further modifications were introduced, in particular, to take more account of the level of the Fund's holdings of currencies, some of which were being reduced to low levels, both in absolute amounts and in relation to members' quotas. Increasingly, the Fund concentrated on selling the currencies of those members in strong external positions whose currencies are held by the Fund in relatively large amounts. This has led to the more extensive use of U.S. dollars, French francs, and Japanese yen than would have been the case had the Fund continued to sell currencies in proportion to members' reserves.

[15] A member's "creditor position" is the extent to which the Fund's holdings of that member's currency is below 75 per cent of its quota plus borrowing by the Fund.

Table 20. Changes in Members' Super Gold Tranche, April 30, 1975–April 30, 1976 [1]

(In millions of SDRs)

Member	April 30, 1975	April 30, 1976	Change
Australia	6.4	0.5	− 5.9
Austria	71.3	122.6	+ 51.3
Bahrain	4.0	7.0	+ 3.0
Belgium	358.9	372.0	+ 13.1
Brazil	6.3	16.3	+ 10.0
Canada	28.1	44.1	+ 16.0
Ecuador	4.0	5.0	+ 1.0
Finland	16.3	—	− 16.3
France	78.8	345.4	+266.6
Germany, Fed. Rep. of	1,001.5	1,140.9	+139.4
Ireland	11.6	13.7	+ 2.1
Japan	334.1	514.7	+180.6
Kuwait	20.6	37.4	+ 16.8
Malta	—	3.8	+ 3.8
Netherlands	191.7	253.7	+ 62.0
Norway	17.5	44.3	+ 26.8
Qatar	8.0	10.1	+ 2.1
Saudi Arabia	8.7	21.5	+ 12.8
Sweden	9.7	34.4	+ 24.7
United Arab Emirates	4.0	11.1	+ 17.1
United States	71.3	565.1	+493.8
Venezuela	86.8	161.9	+ 75.1
Total	2,365.5	3,741.2	1,375.7

[1] This table excludes changes of less than SDR 1 million; as a result, amounts do not add to totals.

The fall in the Fund's holdings of usable currencies has been marked. At the start of the fiscal year, the Fund's holdings of currencies that could be considered usable in purchases amounted to approximately SDR 10 billion. By the end of the fiscal year, the total holdings of such currencies had been reduced to about SDR 7 billion, partly because of the net outflow of currencies described above but also because the Fund discontinued the sale of some currencies in view of the weakening of the balance of payments and reserve positions of such members. On the other hand, the Fund extended the list of currencies that it used for the first time, or only after a lapse of many years, and is in the process of extending the list further.

In this regard, paragraph 4 of the Board of Governors Resolution on the Sixth General Review of Quotas reads as follows:

> 4. A member shall, within six months after the date of the adoption of this Resolution, make arrangements satisfactory to the Fund for the use of the member's currency in the operations and transactions of the Fund in accordance with its policies, provided that the Executive Directors may extend the period within which such arrangements shall be made.

The major purposes of the arrangements regarding the use of currencies are that the Fund be in a position to sell to purchasing members the currency of a member whose position meets the criteria of the Fund's policies, and that the issuer of the currency sold will stand ready to exchange it for a currency that the purchasing member can use for the purpose for which it made use of the Fund's resources. The use of currencies in repurchases is limited under the present Articles to currencies of members under Article VIII unless the Fund deems currencies having Article XIV status as convertible for the purpose of accepting them in repurchase. In any event, a member whose currency is to be used in repurchase would stand ready to sell the necessary amount in exchange for a currency acceptable to it, to the repurchasing member at the time of repurchase.

The exchange rates to be used in these transactions would be, or be based on, the representative market rate for the currencies expressed in terms of the SDR that is used by the Fund in its computations involving these currencies.

As indicated in paragraph 4 of the Resolution, the sales of a currency for which a member establishes the necessary arrangements will be made in accordance with the Fund's policies on the selection of currencies to be sold in its operations and transactions. Under these policies, the Fund will sell the currency of a member if its balance of payments and reserve position is considered sufficiently strong. For a member whose currency the Fund holds in excess of 75 per cent of quota, it might be noted that the sale of a member's currency would reduce that member's indebtedness and would have a similar effect as a repurchase by the member.

Charges, Interest, and Remuneration

The Fund's gross income from charges and receipt of interest from its holdings of SDRs rose by SDR 289.4 million, to SDR 455.9 million during the fiscal year. However, the payment of remuneration and of interest on the Fund's borrowings in connection with the oil facility rose by SDR 275.9 million, to SDR 407.5 million. As a consequence, the Fund's net operational income amounted to SDR 48.4 million, compared with SDR 34.9 million for the previous fiscal year. Expenses during the year amounted to SDR 51.3 million, resulting in a net expense of SDR 2.9 million, which was charged against the Special Reserve, reducing it to SDR 339.1 million.

The Fund's income from charges reflected both an increase in the average daily balances of holdings subject to charges and an increase in the average annual rate of charges on those balances. The increase in average daily balances subject to charges amounted to SDR 4.9 billion, raising the total to SDR 9.8 billion at April 30, 1976. Of this, SDR 900 million represented balances subject to the pre-July 1974 schedule of charges (compared with SDR 1 billion in the previous year), SDR 2.4 billion was subject to the new schedule of charges (SDR 1.4 billion), and SDR 6.5 billion represented balances acquired as a result of purchases under the oil facility (SDR 2.5 billion).

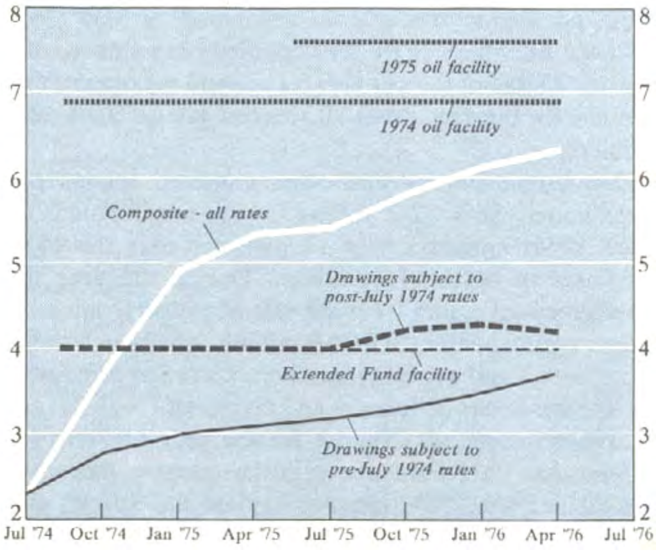
During the year, the average annual rate of charges on drawings from the Fund, other than under the oil facility, rose from 3.2 per cent per annum for the fiscal year 1975 to 3.9 per cent per annum for fiscal year 1976. Chart 14 shows the increase in the rates by quarters during the period July 1974–July 1976. As regards the oil facility, charges for the first three years under the 1974 oil facility are levied at a rate of 6.875 per cent and under the 1975 facility at a rate of 7.625 per cent. All purchases were subject to the usual service charge of 0.5 per cent.

Total charges on balances acquired in connection with purchases under the regular facilities, excluding the service charge, amounted to SDR 101.2 million (service charges on these drawings amounted to SDR 6.8 million); total charges acquired as a result of oil facility purchases amounted to SDR 307.3 million (service charges were SDR 19.8 million).

Loans made for the 1974 facility bear interest at 7 per cent per annum and those for the 1975 facility at 7.25 per cent per annum. Interest paid by the Fund on amounts borrowed in connection with the oil facility totaled SDR 303.4 million for the fiscal year 1975/76, compared with SDR 69.2 million for the previous fiscal year. Drawings under the 1974 facility resulted in a net expense of SDR 3.2 million, while drawings under the 1975 facility yielded a net income of SDR 7.1 million. However, the net income under the 1975 facility

Chart 14. Average Annual Rates of Charges on Balances in Excess of Quota, July 1974–April 1976

(In per cent)



reflects not only the higher net rate of charges but also the fact that SDR 464.1 million of loans contracted under the 1974 facility was permitted to be used in financing transactions under the higher-yielding 1975 facility.

During the year remuneration payable on creditor positions rose by SDR 41.7 million, to SDR 104.1 million. This rise reflected (1) an increase in the average daily balances subject to remuneration, which rose by SDR 1.38 billion, to SDR 3.74 billion at April 30, 1976, and (2) an increase in the average annual rate of remuneration, which rose by 0.5 per cent, to 3.6 per cent for the fiscal year.

The respective increases in the average annual rate of charges, excluding the oil facility, and the average annual rate of remuneration has resulted in a widening of the margin between them from +0.1 per cent in 1975 to +0.3 per cent in 1976. This widening has partially offset the effect of increased gold tranche drawings on which no income is received. Insofar as the oil facility is concerned, drawings under the 1975 facility result in a net income margin of 0.375 per cent, compared with a net expense margin of 0.125 per cent under the 1974 oil facility.

Interest receivable on holdings of SDRs in the General Account fell slightly during the year, from SDR 21.1 million in fiscal year 1975 to SDR 20.8 million in fiscal year 1976. The decrease is due to the reduction in both the holdings of SDRs in the General Account, from SDR 510 million on April 30, 1975 to SDR 461 million on April 30, 1976, and the average annual interest rate, from 4.50 per cent during 1975 to 3.90 per cent during 1976.

The net operational income for the year, excluding oil facility transactions, totaled SDR 24.7 million, which is an increase of only SDR 1 million over the previous year and stems entirely from interest on SDR holdings and from the service charge. Net operational income from oil facility transactions amounted to SDR 23.7 million, of which SDR 19.8 million was due to the service charge of 0.5 per cent. The total net operational income for the year, from all sources, totaled SDR 48.4 million.

Net administrative and other expenses totaled approximately SDR 52.2 million for the year. This is an increase of approximately 17 per cent over the 1975 expenses of SDR 44.9 million. During the year the Fund realized a gain from the sale of property amounting to approximately SDR 0.9 million, which, in accordance with Fund practice, has been recorded separately in the Statement of Income and Expenses.

The resulting net expense for the year of SDR 2.9 million has, in accordance with the relevant Executive Board decision, been charged against the Special Reserve, reducing this reserve to SDR 339.1 million. The total of the General and Special Reserves was similarly reduced to SDR 704.7 million as at April 30, 1976.

A summary of income and expenses over previous fiscal years is shown in Appendix I, Table I.17.

The Subsidy Account

On August 1, 1975, the Executive Directors established a Subsidy Account to assist the Fund's most seriously affected (MSA) members to meet the cost of using resources made available under the oil facility for 1975. The proposal to establish such an account had been endorsed by the Interim Committee at its January 1975 meeting as follows:

> In connection with the oil facility, the Committee fully endorsed the recommendation of the Managing Director that a special account should be established with appropriate contributions by oil exporting and industrial countries, and possibly by other members capable of contributing, and that the Fund should administer this account in order to reduce for the most seriously affected members the burden of interest payable by them under the oil facility.

Eligible members to receive assistance from the Subsidy Account were those Fund members on the list of countries prepared by the Secretary General of the United Nations that had been most seriously affected by the increased price of petroleum and petroleum products. The list included 39 Fund member countries, of which 18 made purchases under the 1975 oil facility for an amount totaling SDR 551 million. (See Table 21.) Since these purchases were effected over two fiscal years of the Fund and purchases under the 1975 oil facility could be outstanding for up to seven years after the date of purchase, it is envisaged that subsidy payments will be made at the end of eight fiscal years (1976–83, inclusive).

The amount of subsidy payments to eligible members will be calculated as a percentage per annum of the average daily balances, during the year, of the Fund's holdings of the currency in excess of quota acquired as a result of purchase under the 1975 oil facility. The percentage subsidy will be the same for all eligible members during a given financial year.

Contributions to the Subsidy Account were solicited from all members not on the list of most seriously affected countries, including oil exporting and industrial countries. On the basis of responses received by April 30, 1976, contributions to the Subsidy Account are expected to total about SDR 160 million. Some contributions remain subject to final agreement, or to parliamentary approval, or to certain other conditions. Contributions were actually received from 16 countries by June 30, 1976 for an amount equivalent to SDR 46

Table 21. Subsidy Account: Total Use of 1975 Oil Facility by Most Seriously Affected Members and Subsidy Paid for the Year Ended April 30, 1976

(In millions of SDRs)

Country	Total Use	Average Daily Balances Subject to Charges Under the Oil Facility for the Fiscal Year 1975/76 [1]	Subsidy at 5 Per Cent for Year Ended April 30, 1976
Bangladesh	40.47	12.96	0.65
Cameroon	11.79	2.75	0.14
Central African Republic	2.66	1.08	0.05
Egypt	31.68	3.25	0.16
Haiti	4.14	1.46	0.07
India	201.34	144.68	7.23
Ivory Coast	10.35	3.08	0.15
Kenya	27.93	13.43	0.67
Mali	3.99	0.21	0.01
Mauritania	5.32	1.07	0.05
Pakistan	111.01	51.89	2.60
Senegal	9.91	5.96	0.30
Sierra Leone	4.97	0.61	0.03
Sri Lanka	34.13	9.54	0.48
Sudan	18.30	7.20	0.36
Tanzania	20.61	13.51	0.68
Western Samoa	0.41	0.13	0.01
Yemen, People's Dem. Rep. of	12.02	3.56	0.18
Total	551.03	276.37	13.82

[1] Average daily balances for the fiscal year 1975/76 are less than the totals purchased; purchases did not begin until July 1975 but continued through to the end of the period. The charges payable to the Fund on these average balances at 7⅝ per cent for the fiscal year 1975/76 total SDR 21.1 million.

million. (See Table 22.) These funds either were received in U.S. dollars or were immediately converted into U.S. dollars. The Federal Reserve Bank of New York, New York, agreed to invest available funds in U.S. Government securities in the light of investment instructions given to them in accordance with the provisions of the decision establishing the Subsidy Account.

The objective of the Subsidy Account is to reduce the effective rate of annual charge payable on drawings under the 1975 oil facility by about 5 per cent per annum. If a subsidy rate of 5 per cent were to be maintained throughout the period during which purchases under the 1975 oil facility were outstanding, the average cost of using that facility by the MSA members would be reduced from 7.71 per cent to 2.71 per cent per annum, implying a grant element on oil facility purchases by the most seriously affected countries of 28 per cent.

On July 12, 1976, the Executive Directors decided to make the first subsidy payments to the 18 eligible most seriously affected member countries at a rate of 5 per cent per annum on their outstanding purchases under the 1975 oil facility. These payments, made in U.S. dollars, amounted to the equivalent of SDR 13.8 million and were disbursed in July 1976.

If the Executive Directors find that the Subsidy Account is no longer necessary or that its purpose can no longer be carried out, the Account will be termi-

Table 22. Subsidy Account: Contributions

(In millions of SDRs)

Contributor	Anticipated Total Contributions [1]	Contributions Received as of June 30, 1976
Australia	5.700	—
Austria	2.300	—
Belgium	5.600	—
Brazil	1.850	0.460
Canada	9.500	9.500
Denmark	2.200	—
Finland	1.600	—
France	12.900	2.610
Germany, Fed. Rep. of	13.700	6.840
Iran	6.000	1.500
Italy	8.600	—
Japan	10.300	—
Luxembourg	0.110	0.110
Netherlands	6.000	6.000
New Zealand	1.700	0.300
Norway	2.100	0.500
Saudi Arabia	40.000	10.000
South Africa	1.350	0.670
Spain	3.400	0.490
Sweden	2.800	—
Switzerland	3.285	3.285
United Kingdom	12.050	2.340
Venezuela	6.000	1.500
Yugoslavia	0.900	0.230
Total	159.945	46.335

[1] In some cases subject to final agreement on amount or timing, parliamentary approval, and/or certain conditions.

nated. Any assets remaining in the Subsidy Account on the date of its termination will be divided among the donors that have made deposits in proportion to their contributions. The decision establishing the Subsidy Account will be reviewed annually.

The Trust Fund

On May 5, 1976 the Executive Directors established a Trust Fund to be administered by the International Monetary Fund for the purpose of providing special balance of payments assistance to developing members with the profits from the sale of gold, and with any financing that may be available from voluntary contributions or from loans. The Trust Fund is an arrangement similar to the Subsidy Account established earlier, in that it is legally distinct from the Fund's own accounts and resources.

The balance of payments assistance that shall be provided on concessional terms will be to support the efforts of eligible members that qualify for assistance to carry out programs of balance of payments adjustment. The Executive Directors have decided that 61 members shall be eligible to receive such assistance. The Fund shall review the Instrument establishing the Trust Fund and, in particular, the list of eligible members, and the criteria of eligibility for inclusion, before January 1, 1978.

Balance of payments assistance shall be provided to eligible members that qualify for assistance for the first period July 1, 1976 through June 30, 1978 or for the second period July 1, 1978 to June 30, 1980, or for both periods. Before approving a request for assistance, the Trustee shall be satisfied that the member has a need for balance of payments assistance ("need") and is making a reasonable effort to strengthen its balance of payments position. The need of a member shall be assessed on the basis of the member's balance of payments position, its reserve position, and developments in its reserves. A member shall be deemed to be making a reasonable effort if it has presented to the Fund a program for 12 months in connection with a stand-by arrangement or extended arrangement granted by the Fund or in connection with a purchase from the Fund in the credit tranches. For the first period from July 1, 1976 to June 30, 1978, the program should begin not earlier than January 1, 1976 or not later than December 1, 1977, and for the second period the program should begin not earlier than January 1, 1978 or not later than November 30, 1979.

If a member that wishes to qualify for assistance does not have a program in effect for the relevant periods, then, in making its determination, the Trustee shall apply the criteria applied by the Fund to a request for a purchase in the first credit tranche. The Trustee shall assess the member's need when the program is presented.

The loans from the Trust Fund shall bear interest of ½ of 1 per cent per annum, and each disbursement of a loan shall be repaid in ten equal semiannual installments starting after five years from the date of the disbursement. Toward the end of the five years after the first disbursement under the first loan, the Trustee shall review, in the light of circumstances and on the basis of uniform criteria, the repayment terms of outstanding loans. On the request of a member when repayment of an installment is due, the Trustee may reschedule the repayment if the Trustee finds that repayment on due date would result in serious hardship for the member, provided that the rescheduling would not impair the ability of the Trust to meet its liabilities.

For each of the two periods, the amounts available for disbursement shall be the amounts realized by the Trust from the sales of one half of the gold to be made available to the Trust, whether or not sold during the period, and any income from the investment of the proceeds of these sales. In addition, the amounts available for disbursement shall include the amounts of other transfers of resources to the Trust and other income of the Trust received during the period. Interim disbursements may be made from time to time. The last installment in respect of a period shall be made as soon as practicable after the end of a period.

The amount available for disbursement in respect of a period shall be expressed for all eligible members that qualify for assistance during that period as the same percentage of their quotas in effect on December 31, 1975, or to which they had consented before that date.

The Trust Fund made no disbursement following the sale of 780,000 ounces of gold in each of its first two public auctions held in June and July 1976. As is provided for in the Instrument establishing the Trust Fund, the Trustee may postpone disbursement of an amount of the proceeds of the sale of gold that it deems necessary for use as working capital in the administration of the Trust. Furthermore, the Trustee may invest currency held by the Trust in marketable obligations of international financial organizations or in marketable obligations issued by, and denominated in the currency of, the country whose currency is used to make the investment, provided that the concurrence is obtained of the country whose currency is issued for investment. The Trustee may sell or exchange any of the resources of the Trust or use any of the resources, other than gold, as security for any loans to the Trust, provided that the concurrence is obtained of the members whose currencies are exchanged.

Consultations with Member Countries

In 1975/76 the Fund completed 94 regular consultations with member countries, of which 61 were under Article XIV and 33 under Article VIII. Member countries maintaining restrictions on current international payments and transfers under Article XIV are required to consult annually with the Fund. For members that have accepted the obligations of Article VIII, Sections 2, 3, and 4, the consultations are held regularly on a voluntary basis.

During the fiscal year, Papua New Guinea accepted the obligations of Article VIII, Sections 2, 3, and 4. Out of a total membership of 128 countries, 43 now have Article VIII status. These members are listed in Appendix I, Table I.19.

Regular consultations have continued to be an important part of the Fund's work. They present the opportunity for a detailed review of the economic and financial situation and policies of member countries from both national and international points of view. These consultations are a major instrument through which Fund surveillance of members' policies is made effective in accordance with members' obligations under the Articles of Agreement. They help the Fund to deal quickly with members' requests for the use of Fund resources and proposed changes in policies or practices that are subject to Fund approval. For the individual member, regular consultations provide occasions for an external appraisal of policies and for discussion of any special difficulties that may arise from actions or policies of other members.

In recent years, the regular consultations have been supplemented from time to time by special consultations with selected countries, particularly those whose external policies were considered to be of major importance to the world economy. In 1975/76, these special consultations were held with 18 countries.

Training and Technical Assistance

The training and technical assistance that member countries receive from the Fund have continued to be available in various forms, including training at headquarters, Fund representatives and advisors, staff missions, and the assignment of outside experts. As in previous years, the range of services covered fiscal, monetary, and balance of payments policy, banking, government finance, and statistics. During 1975/76, the assistance again was broadly distributed among Fund membership. In addition to technical missions carried out by the staff, 39 staff members were assigned for six months or longer as Fund representatives or advisors to 28 countries, and 134 outside experts were stationed for six months or more in 45 countries. This assistance was in addition to that made available through the Fund's regular procedures under Article VIII and Article XIV.

During the fiscal year, the IMF Institute provided training facilities to 292 officials of 103 member governments who attended eight new courses and completed three courses that began in the previous year. Thus, the number of officials trained at the Institute since its inception in May 1964 has reached 1,665 from 125 member countries.

The Institute's principal course continues to be that on Financial Analysis and Policy, conducted for 20 weeks in English, and for 22 weeks each in French and Spanish. The principal aims of the course are to examine the modern tools of economic analysis and their effectiveness in achieving policy objectives under changing international as well as national economic conditions. The problems of developing countries receive special emphasis, with recourse to the Fund's experience for help in resolving them. For this purpose, case studies are frequently used, as well as workshops designed to illustrate and apply the tools of financial analysis developed in the course.

The Institute also provides two shorter courses, which are given in English, French, or Spanish, as required. The 8-week course on Balance of Payments Methodology, which is presented in collaboration with the Balance of Payments Division of the Research Department, is designed to help member countries to improve their balance of payments statistics. The 10-week course on Public Finance, conducted in cooperation with the Fiscal Affairs Department, deals with the objectives, instruments, and procedures of public finance, with special reference to the fiscal problems of developing countries.

Through the activities of the Central Banking Service, the Fund provides technical assistance aimed at establishing or strengthening national monetary systems and their related institutions. This assistance, provided only upon request by the competent authorities, takes the form of advisory work and the provision of experts.

Advisory services cover the range of central banking activities—legislation creating the central bank, administrative and organizational matters, and activities relating to the development of local financial markets and institutions. Most advisory work is done by staff members at headquarters, supplemented by visits to review specific recommendations. Where appropriate, the suggestions of other Fund departments are incorporated in the assistance given—especially, legislative matters from the Legal Department. On occasion, the collaboration of specialized units of other institutions, particularly the International Finance Corporation, is sought.

The assignment of experts to serve in executive or advisory capacities in requesting countries is generally for periods of one year, renewable as circumstances require. Although experts are usually drawn from the senior levels of well-established central banks, occasionally they are recruited from other sources; they are responsible solely to the institution to which they are assigned and serve in their individual capacities.

During the fiscal year, central banking experts carried out 116 assignments in 45 countries and two multinational institutions. Of these assignments, 8 were short-term visits by consultants to advise on a wide range of specialized topics—open market operations, interest rates, foreign exchange management, organizational structure, statistics, and staff training programs. The others were for periods of at least one year in executive positions, ranging from deputy governor through heads of departments, and senior advisory roles. Besides the advice provided by correspondence from headquarters, advisory missions visited 11 countries during the year.

During 1975/76 the Fiscal Affairs Department provided technical assistance to 25 countries and two regional organizations; of these, 5 countries and the organizations had not previously received such assistance. The same number of countries were served as in the previous year, but the assignments were of shorter duration. As in the past, assignments covered the fields of tax policy, tax and customs administration, budgetary and accounting systems, and general financial administration. Fiscal legislation was also drafted in cooperation with the Legal Department. During the year 31 members of the fiscal panel and 11 staff members carried out assignments in the field and at headquarters; at the end of the year, 17 panel members were engaged in 12 countries. Members of the staff visited several countries to inspect progress and to determine the need for further assistance; staff members continued to be involved at headquarters in supporting and supervising the work of experts in the field.

While the Fund usually bears the costs of advisory services, countries that receive central banking experts or members of the fiscal panel are expected to reimburse the Fund for part of the outlay. The amount of the reimbursement varies broadly with the ability to pay.

In providing technical assistance, the Bureau of Statistics has continued to share with national technicians its standards for assembling relevant financial and general statistics for analyzing monetary and payments problems; this work is intended to facilitate the comparison of country data by promoting consistency in the use of statistical definitions among countries. The main form of the assistance is improving the statistical content of existing central bank bulletins or establishing new ones, emphasizing particularly data on international reserves, money and banking, interest rates, prices, production, external trade, government finance, balance of payments, and, where available, the national accounts. The experts for this technical work in the field are drawn from the Bureau staff.

During the fiscal year, the Bureau's overall technical assistance work covered 17 countries, including five technical visits to countries outside the bulletin project. The Bureau helped to establish central bank bulletins in 2 countries, and preparations are under way for establishing them in several other countries. Distribution of the Fund's *Draft Manual on Government Finance Statistics* was accompanied by seminars and field work with officials and national technicians. Four regional seminars on government finance statistics, conducted in collaboration with the Fiscal Affairs Department and the respective area departments, were held in Kenya, Colombia, Ivory Coast, and France attended by 242 participants from 90 countries. Field work in one country assisted in applying classification standards in the *Draft Manual* to the disaggregated national data on the transactions of the government and other parts of the public sector. Other technical assistance was provided by the Bureau staff while participating in Fund missions.

Relations with Other International Organizations

Cooperation with other international and regional organizations in the economic field is a continuing function of the Fund arising from its responsibilities in international monetary and financial matters. Long-established relationships, formal as well as informal and at both management and working levels, were maintained with the United Nations and its relevant organs, including the regional Economic Commissions in Africa, Asia and the Pacific, Europe, Latin America, and Western Asia, the United Nations Conference on Trade and Development (UNCTAD), and the United Nations Development Programme (UNDP); the International Labour Organization (ILO); the Food and Agriculture Organization (FAO); the World Bank, with which the Fund has a special relationship; the General Agreement on Tariffs and Trade (GATT); the Organization for Economic Cooperation and Development (OECD); the Commission of the European Communities (CEC); the Bank for International Settlements (BIS); the Organization of American States (OAS), especially the Inter-American Economic and Social Council and its Permanent Executive Committee (CEPCIES); and regional financing and development institutions in Africa, Asia, Latin America and the Caribbean, and the Middle East.

These organizations, in turn, attended the Annual Meeting of the Board of Governors of the Fund, held jointly with that of the Boards of Governors of the World Bank, in September 1975, and some of them were represented at meetings of the Interim Committee and of the Joint Development Committee held in Paris in June 1975, in Washington at the time of the Annual Meeting, and in Jamaica in January 1976.

The Managing Director made his annual address to the UN Economic and Social Council (ECOSOC) at its 59th Session in Geneva in July 1975 and presented a statement at the second session of the Ad Hoc Committee of the UN General Assembly on Restructuring the Economic and Social Sectors of the United Nations System in February 1976. He also attended the meeting of the UN Administrative Committee on Coordination (ACC) in Geneva, while the Deputy Managing Director attended the one in New York, and other staff participated in preparatory and subsidiary group meetings. The Managing Director and the Deputy Managing Director participated in certain monthly meetings of the Bank for International Settlements in Basle, which are regularly attended by other staff members. The Managing Director also took part in meetings of the Group of Ten Ministers and Governors of Central Banks in Paris in December 1975 and the meeting held at OECD headquarters in Paris at which the Financial Support Fund agreement was signed. The Deputy Managing Director addressed the UNCTAD IV Conference in Nairobi in May 1976, while other staff represented the Fund at other sessions. The Fund was also represented at the 7th Special Session of the UN General Assembly devoted to development and international economic cooperation in New York in September 1975, along with meetings of its preparatory committee and the Symposium on a New Economic Order, also preparatory to the session, held at The Hague in May 1975; at the 30th Session of the General Assembly, the 59th and 60th Sessions of ECOSOC, and the 3rd session of the Review and Appraisal Committee; and staff participated in meetings of the International Trade Law Commission and its working group on negotiable instruments, of an Expert Group on techniques of budget formulation in developing countries, and of the UN Committee for Development Planning.

Continuous liaison with UN bodies, in New York and in Geneva, is maintained by the Fund's Special Representative to the United Nations and its Geneva Office, while close contacts with the OECD, the CEC, and the BIS are maintained by the European Office in Paris, which also observes the Paris Conference on International Economic Cooperation.

Fund staff were called upon to provide technical assistance during the year to the Council of Arab Economic Unity, including assistance in drafting an agreement for an Arab Monetary Fund; the Arab Fund for Economic and Social Development; the West African Monetary Union; and the Economic Community of West African States. In addition, the Fund completed a series of regional seminars for statistical experts, begun early in 1975, to discuss its *Draft Manual on Government Finance Statistics*, which were held in Nairobi, May 5–9 and Bogotá, November 3–7, 1975 and in Abidjan, January 19–23 and Paris, March 22–26, 1976. The Fund also held a Conference on Methodology of Assessing Underlying Payments Disequilibria at the Paris Office on February 23–25, 1976 with officials of 13 industrial members and of the OECD, CEC, and the BIS. With the Fund as one of the sponsoring organizations, staff participated in a meeting of academic economists and officials of central banks and international organizations dealing with the monetary mechanism in an open economy, held in Helsinki with the Bank of Finland as host.

The focus on commodities in connection with the Fund's compensatory financing and buffer stock facilities occasioned staff participation at the UN Cocoa Conference, the UN Tin Conference, and meetings of the UNCTAD Committee on Commodities, the OECD High Level Group on Commodities, the FAO Committee on Commodity Problems' Intergovernmental Group on Grains, the Intergovernmental Council of Copper Exporting Countries (CIPEC), the International Rubber Study Group, the International Coffee Organization, and the International Cocoa Organization and its Statistics Committee. The staff also participated in the UNCTAD Expert Group on Inflationary Processes in the International Economy and Their Impact on Developing Countries.

Aid coordination and debt renegotiation are of vital concern in relations between the Fund and its members. The staff continued to participate in the periodic meetings of the Inter-Governmental Group on Indonesia convened by the Netherlands Government, and participated in meetings held under the auspices of the French Government by the Paris Club of creditor countries to consider the renegotiation of the external debt of Chile and Zaïre. Staff representatives also participated in meetings of Consultative Groups on Aid Coordination held in Paris under the auspices of the World Bank for Bangladesh, Korea, the Philippines, Sri Lanka, Thailand, and Tunisia, as well as the India and Pakistan consortia. The staff participated in a meeting of the Club des Amis du Sahel.

The Fund's standing arrangements for collaboration with the GATT with respect to consultations with common members on trade restrictions imposed for balance of payments reasons entailed staff participation in those consultations and in the provision of pertinent documents. Fund representatives also attended the annual session of the CONTRACTING PARTIES to the GATT and meetings of its Council of Representatives and subsidiary bodies, and followed closely the developments in the ongoing multilateral trade negotiations.

In Latin America, staff participated in meetings of Experts on a "Latin American Safety Net," sponsored jointly by the Economic Commission for Latin America and the Center for Latin American Monetary Studies and held in Santiago in July and Mexico City in November 1975, and in San José in March 1976; in the 12th meeting of Central Bank Technicians of the American Continent held in Punta del Este, Uruguay; in a workshop on mobilization of personal savings held in Bogotá under the joint sponsorship of the United Nations, the Swedish Development Authority and Savings Banks Associations, and the Colombian Government; in the OAS' Fifth Meeting of the Capital Markets Program held in Montevideo; and in mid-1975, staff assisted the Center for Latin American Monetary Studies (CEMLA) in Mexico in their Program on Central Banking and Monetary Policy.

Reflecting the Fund's interest in export credits, staff members attended meetings of the International Union of Credit and Investment Insurers (Berne Union), and the UNCTAD Expert Group on Export Credit as a Means of Promoting Exports from Developing Countries.

Membership, Quotas, and Participation in the Special Drawing Account

Grenada became a member of the Fund on August 27, 1975 with a quota of SDR 2 million, and Papua New Guinea became a member on October 9, 1975 with a quota of SDR 20 million, bringing total membership on April 30, 1976 to 128 members and aggregate quotas to SDR 29,211.4 million. Grenada and Papua New Guinea also became participants in the Special Drawing Account. In addition, Portugal became a participant in the Special Drawing Account during the year, bringing the number of participants to 120, with quotas equivalent to 98.9 per cent of the Fund total.[16] At the close of the fiscal year, applications for membership from the Comoros, Guinea-Bissau, Maldives, and Seychelles were under consideration by the Executive Board.

The Board of Governors approved on March 22, 1976 increases in quotas of Fund members, which is discussed in greater detail in an earlier section of this chapter.

In March 1976, Nepal requested that payments totaling the equivalent of SDR 1,600,000, relating to the fourth and fifth installments of the increase in its quota to which it had consented under Board of Governors Resolution No. 25-3 on "Increases in Quotas of Members—Fifth General Review" be postponed to not later than 30 days after the second amendment of the Articles of Agreement of the Fund. The fourth and fifth installments, of which the equivalent of SDR 400,000 is payable in gold, were due not later than April 30, 1976 in accordance with Board of Governors Resolution No. 25-3.[17] In requesting further postponement, the Nepalese authorities stated that payment of gold in present circumstances presented serious problems. When the second amendment of the Articles of Agreement becomes effective, its provisions will allow Nepal to pay in special drawing rights the portion of its subscription now due in gold. Alternatively, if the Fund so prescribes, the payment of this portion of the subscription could be discharged by Nepal in whole or in part in the currencies of other members specified by the Fund. The Executive Board agreed to Nepal's proposal and the Board of Governors adopted a Resolution to this effect on April 28, 1976.[18]

Executive Directors and Staff

A list of Executive Directors and their voting power on April 30, 1976 is given in Appendix IV. The changes in membership of the Executive Board during 1975/76 are shown in Appendix V.

In the year ended April 30, 1976, there were 137 appointments to the Fund's regular staff and 92 separations. At the end of the fiscal year, the staff numbered 1,363 and was drawn from 87 countries. These figures do not include Advisors and Assistants to Executive Directors.

[16] The eight members of the Fund that have not deposited instruments of participation in the Special Drawing Account are Ethiopia, Kuwait, Lebanon, the Libyan Arab Republic, Qatar, Saudi Arabia, Singapore, and the United Arab Emirates.

[17] See *Annual Report, 1974,* page 67.

[18] Board of Governors Resolution No. 31-3, amending Resolution No. 25-3, as amended by Resolution No. 29-3.

Appendices

		Page
I.	The Fund in 1975/76	69

List of Tables

I.1.	Exchange Rates, June 30, 1976	70
I.2.	Transfers of Special Drawing Rights, January 1, 1970–April 30, 1976	74
I.3.	Summary of Transactions and Operations in Special Drawing Rights, Fiscal Year Ended April 30, 1976	75
I.4.	Currencies Transferred for Special Drawing Rights, January 1, 1970–April 30, 1976	78
I.5.	Transfer of Special Drawing Rights by the General Account, Fiscal Year Ended April 30, 1976	79
I.6.	Reconstitution: Average Daily Holdings of Special Drawing Rights as a Per Cent of Average Net Cumulative Allocations	80
I.7.	Purchases of Currencies and Special Drawing Rights from the Fund, Fiscal Year Ended April 30, 1976	82
I.8.	Purchases and Repurchases Under the Decision on Compensatory Financing of Export Fluctuations, February 27, 1963–April 30, 1976	83
I.9.	Fund Stand-By Arrangements for Members, Fiscal Year Ended April 30, 1976	85
I.10.	Summary of Stand-By Arrangements That Became Effective During the Fiscal Years Ended April 30, 1953–76	86
I.11.	Summary of Members' Purchases and Repurchases, Years Ended April 30, 1948–76	86
I.12.	Summary of Purchases Under the Oil Facility	87
I.13.	Total Repurchase Obligations Incurred in Accordance with Article V, Section 7(*b*), and Amounts Payable Forthwith by Members, as of April 30, 1975	88
I.14.	Repurchases of Currencies from the Fund, Fiscal Year Ended April 30, 1976	89
I.15.	Currencies and Special Drawing Rights Obtained from the Fund by Members in Purchases for Their Own Currencies; Currencies and Special Drawing Rights Used by Members in Repurchases, Fiscal Year Ended April 30, 1976	90
I.16.	Summary of Borrowings for 1974 and 1975 Oil Facilities	91
I.17.	Income and Expenses, Fiscal Years Ended April 30, 1960, 1965, 1970, and 1972–76	92
I.18.	Schedules of Fund Charges	93
I.19.	Members That Have Accepted Article VIII, April 30, 1976	94

		Page
I.20.	Publications Issued, Fiscal Year Ended April 30, 1976	95
II.	Principal Policy Decisions of the Executive Board and Report to the Board of Governors	96
	A. Adjustment of Fund's Holdings of Currencies	96
	B. Rates of Remuneration Under Rule I-10	96
	(a) Postponement of Review and Retention of Present Rate	96
	(b) Review of Rates of Remuneration Under Rule I-10: Period Ended June 30, 1975	97
	(c) Review of Rate of Remuneration Under Rule I-10: Period Ended December 31, 1975	97
	C. Oil Facility for 1975: Reviews of Decision	97
	D. Subsidy Account	98
	Annex A	100
	E. Compensatory Financing of Export Fluctuations: Revised Decision	101
	F. Stabilization of Prices of Primary Products	103
	G. Increase in Credit Tranches Under the Fund's Tranche Policies	103
	H. Increases in Quotas of Fund Members—Sixth General Review	103
	Report of the Executive Directors to the Board of Governors	103
	Resolution Submitted to the Board of Governors	107
	Annex	108
	I. Trust Fund	111
	Instrument to Establish the Trust Fund	112
	Annex A	116
	J. Remuneration and Interest Rate on Special Drawing Rights	118
III.	Press Communiqués of the Interim Committee and the Development Committee	119
	Interim Committee of the Board of Governors on the International Monetary System	119
	Press Communiqués	119
	Fourth Meeting, Washington, August 31, 1975	119
	Fifth Meeting, Kingston, Jamaica, January 7–8, 1976	122
	Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (Development Committee)	125
	Press Communiqués	125
	Fourth Meeting, Washington, September 3–4, 1975	125
	Fifth Meeting, Kingston, Jamaica, January 9, 1976	126
IV.	Executive Directors and Voting Power on April 30, 1976	128
V.	Changes in Membership of Executive Board	131
VI.	Administrative Budget	134
VII.	Comparative Statement of Income and Expenses	136
VIII.	Financial Statements	137
	Letter of Transmittal	137
	General Account	138
	Report of the External Audit Committee	138

	Page
Balance Sheet	139
Statement of Income and Expenses	140
Statement of Reserves	141
Notes to the Financial Statements	142
Special Drawing Account	143
Report of the External Audit Committee	143
Balance Sheet	144
Statement of Source and Use of Special Drawing Rights	145
Subsidy Account	146
Report of the External Audit Committee	146
Statement of Financial Position	147
Staff Retirement Fund	148
Report of the External Audit Committee	148
Balance Sheet	149
Statement of Changes in Financial Position	150
Notes to the Financial Statements	151

This page intentionally left blank

Appendix I
The Fund in 1975/76

The tables in this appendix supplement the information given in Chapter 3 on the activities of the Fund during the past year. For some aspects of the Fund's operations, data covering longer periods are included. Apart from Table I.1 on exchange rates, the data in the tables do not go beyond April 30, 1976, the end of the Fund's fiscal year.

Table I.1. Exchange Rates, June 30, 1976

(Currency units per unit listed)

Member	Currency	Member Maintains Exchange Rate Against [1]						Market Rates [2]
		Special drawing right	U.S. dollar	Pound sterling	French franc	Other	Other currencies in group [3]	U.S. dollar
Afghanistan [4]	Afghani							56.50
Algeria [4]	dinar					[5]		4.163
Argentina [4]	peso		140.00					
Australia	dollar					[5]		0.809323
Austria	schilling					[5]		18.4100
*Bahamas [4]	dollar		1.00					
*Bahrain	dinar		0.394737					
*Bangladesh [4]	taka			26.70				
*Barbados	dollar		2.00					
*Belgium [4]	franc						48.6572	39.6975
Benin	franc				50.00			
*Bolivia	peso		20.00					
Botswana	rand		0.869565					
Brazil [4]	cruzeiro		10.765					
*Burma	kyat	7.74289						6.7573
*Burundi	franc		90.00					
Cambodia [4]	riel							
Cameroon	franc				50.00			
Canada	dollar					[5]		0.9686
Central African Republic [4]	franc				50.00			
Chad	franc				50.00			
Chile [4]	peso		12.50					
*China, Republic of	new Taiwan dollar		38.00					
Colombia [4]	peso		34.695					
Congo, People's Republic of the	franc				50.00			
Costa Rica [4]	colón		8.57					
Cyprus	pound					[5]		0.415196
*Denmark	krone						7.57831	6.1500
Dominican Republic [4]	peso		1.00					
Ecuador [4]	sucre		25.00					
Egypt [4]	pound		0.391305					
El Salvador	colón		2.50					
Equatorial Guinea [4]	ekuele					1.00 [6]		
*Ethiopia [4]	dollar		2.07237					
Fiji	dollar					[5]		0.899119
Finland	markka					[5]		3.887
France	franc					[5]		4.74025
Gabon	franc				50.00			
Gambia, The	dalasi			4.00				
*Germany, Federal Republic of	deutsche mark						3.21979	2.5742

Ghana [4]	cedi		1.15385				
Greece	drachma					.... [5]	36.708
Grenada	East Caribbean dollar		2.70 [7]				
Guatemala	quetzal		1.00				
Guinea [4]	syli	24.6853					21.531
*Guyana [4]	dollar		2.55				
Haiti	gourde		5.00				
Honduras	lempira		2.00				
Iceland	króna					.... [5]	184.10
India	rupee					.... [5]	8.9636
Indonesia	rupiah		415.00				
*Iran [4]	rial	82.2425					70.625
*Iraq	dinar		0.296053				
Ireland [4]	pound			1.00			
*Israel	pound		7.97				
Italy	lira					.... [5]	840.50
Ivory Coast	franc				50.00		
*Jamaica	dollar		0.909091				
Japan	yen					.... [5]	297.40
*Jordan	dinar	0.387755					0.334001
*Kenya	shilling	9.66					8.43
Korea	won		485.00				
Kuwait	dinar					.... [5]	0.29439
Lao, People's Democratic Republic of	liberation kip		200.00				
Lebanon	pound					.... [5]	2.56410
Lesotho	rand		0.869565				
Liberia	dollar		1.00				
*Libyan Arab Republic	dinar		0.296053				
*Luxembourg [4]	franc					48.6572	39.6975
Madagascar	franc				50.00		
Malawi	kwacha	1.05407					0.9202
Malaysia	ringgit					.... [5]	2.5447
Mali	franc				100.00		
Malta	pound					.... [5]	0.429664
Mauritania	ouguiya					.... [5]	45.74
Mauritius [4]	rupee	7.713759					6.73109
Mexico	peso		12.50				
Morocco [4]	dirham					.... [5]	4.4354
*Nepal [4]	rupee		12.50				
*Netherlands	guilder					3.35507	2.7355
New Zealand	dollar					.... [5]	1.00766
Nicaragua	córdoba		7.00				
Niger	franc				50.00		
Nigeria	naira					.... [5]	0.626566
*Norway	krone					6.87145	5.5625
*Oman	rial Omani		0.345395				
*Pakistan	rupee		9.90				
Panama	balboa		1.00				

Table I.1 (*concluded*). Exchange Rates, June 30, 1976

(Currency units per unit listed)

		Member Maintains Exchange Rate Against [1]						Market Rates [2]
Member	Currency	Special drawing right	U.S. dollar	Pound sterling	French franc	Other	Other currencies in group [3]	U.S. dollar
Papua New Guinea	kina					1.00 [8]		
Paraguay [4]	guaraní		126.00					
Peru [4]	sol		65.00					
Philippines	peso					[5]		7.431
Portugal	escudo					[5]		31.472
Qatar [9]	riyal	4.76190						3.966
Romania [4]	leu		12.00 [10]					
*Rwanda	franc		92.84					
Saudi Arabia [9]	riyal	4.28255						3.530
Senegal	franc				50.00			
Sierra Leone	leone			2.00				
Singapore	dollar					[5]		2.4715
*Somalia [4]	shilling		6.23270					
South Africa	rand		0.869565					
South Viet-Nam	dong							1.85
Spain	peseta					[5]		67.901
Sri Lanka [4]	rupee					[5]		8.67575
Sudan [4]	pound		0.348242					
Swaziland	lilangeni					1.00 [11]		
*Sweden	krona						5.50094	4.4512
Syrian Arab Republic	pound		3.925					
*Tanzania	shilling	9.66						8.42939
*Thailand	baht		20.00					
Togo	franc				50.00			
Trinidad and Tobago	dollar		2.40					
Tunisia	dinar					[5]		0.4352
Turkey [4]	lira					[5]		16.16
*Uganda	shilling	9.66						8.42862
*United Arab Emirates	dirham		3.94737					
United Kingdom [4]	pound					[5]		0.561388
United States	dollar							
Upper Volta	franc				50.00			
Uruguay [4]	new peso		3.285					
Venezuela	bolívar		4.2925					
Western Samoa	tala					[5]		0.8061
Yemen Arab Republic	rial		4.5625					
*Yemen, People's Democratic Republic of [4]	dinar		0.345395					

Yugoslavia [4]	dinar		[5]	18.2135
*Zaïre	zaïre	1.00		0.87272
*Zambia	kwacha	0.642856		

* The member is availing itself of wider margins of up to ± 2.25 per cent.

[1] Rates other than market rates as notified to the Fund.

[2] Latest market rates available.

[3] Belgium, Denmark, the Federal Republic of Germany, Luxembourg, the Netherlands, Norway, and Sweden maintain maximum margins of 2.25 per cent for exchange rates in transactions in the official markets between their currencies and those of the other countries in this group. Rates shown are central rates expressed in terms of SDRs, as valued in accordance with Article XXI, Section 2, of the Fund Articles of Agreement.

[4] Member maintains multiple currency practice and/or dual exchange market.

[5] The member has notified the Fund that its currency is not being maintained within specified margins in terms of another currency.

[6] Per Spanish peseta.

[7] As of July 7, 1976.

[8] Per Australian dollar.

[9] Saudi Arabia and Qatar maintain margins of up to ± 7.25 per cent.

[10] Rate for noncommercial transactions.

[11] Per South African rand.

Table I.2. Transfers of Special Drawing Rights, January 1, 1970–April 30, 1976

(In millions of SDRs)

	Jan. 1, 1970–Apr. 30, 1970	Fiscal Years Ended April 30: 1971	1972	1973	1974	1975	1976	Total Jan. 1, 1970–Apr. 30, 1976
Transfers between participants								
Transactions with designation	155	348	267	117	60	440	292	1,678
Transactions without designation	20	286	380	303	996	249	176	2,410
	175	633	647	420	1,056	688	468	4,088
General Account								
Transfers from participants								
Repurchases (net)	183	357	501	68	29	24	440	1,602
Charges (net)	29	66	30	30	29	92	354	630
Assessments	1	1	1	1	1	1	2	8
Interest received on General Account holdings	—	4	7	10	8	21	21	71
	213	429	540	108	67	138	817	2,311
Transfers to participants								
Purchases	—	—	—	292	7	4	443	746
Reconstitution	—	—	46	107	157	117	404	832
Replenishment of participants' currencies	—	123	21	—	—	—	—	144
Remuneration	—	18	15	2	20	6	10	72
Distribution of net income	—	9	8	—	—	—	—	17
Restoration of participants' holdings [1]	—	—	29	—	—	—	—	29
Interest on Fund borrowings	—	—	—	—	—	—	8	8
Other [2]	—	1	—	—	—	—	—	1
	—	151	120	401	185	127	865	1,848
Total transfers	388	1,213	1,307	929	1,308	953	2,150	8,247
General Account holdings at end of period	213	490	910	617	499	510	461	461

[1] Under Article XXV, Sections 2(*b*)(ii) and 7(*e*).
[2] Under Article XXVI, Section 5.

Table I.3. Summary of Transactions and Operations in Special Drawing Rights, Fiscal Year Ended April 30, 1976

(In thousands of SDRs)

		Transactions and Operations						Positions at April 30, 1976		
		Between participants			Between participants and the General Account					
		Received								
Participants	Holdings on April 30, 1975	Through designation	Other	Used	Received	Used	Interest, Charges, and Assessment (Net)	Holdings	Net cumulative allocations	Holdings as per cent of net cumulative allocations
Afghanistan	4,685				3,224	2,309	−340	5,260	12,753	41.2
Algeria	42,951						+97	43,048	40,290	106.8
Argentina	80,118			105,000	82,500	8,341	−5,568	43,710	152,520	28.7
Australia	95,459			50,000	285		−5,660	40,083	225,645	17.8
Austria	87,440	8,000					+406	95,846	76,745	124.9
Bangladesh	8				23,954	8,961	+653	15,654		
Barbados	2,768						−1	2,767	2,769	99.9
Belgium	607,131		8,328	67,890			+15,734	563,303	209,346	269.1
Benin	4,446						−1	4,445	4,449	99.9
Bolivia	2,081				5,772	560	−302	6,990	12,753	54.8
Botswana	1,568							1,568	1,569	99.9
Brazil	163,190	7,000			147		+397	170,734	152,520	111.9
Burma	9,153					1,526	−489	7,137	20,844	34.2
Burundi	3,298					74	−130	3,094	6,567	47.1
Cambodia	637						−309	328	8,517	3.9
Cameroon	10,382					424	−14	9,945	10,513	94.6
Canada	473,932				483		+4,453	478,867	358,620	133.5
Central African Republic	628				1,813	306	−103	2,031	4,365	46.5
Chad	2,272				283	327	−81	2,147	4,449	48.3
Chile	1,809				61,175	15,378	−1,551	46,055	54,654	84.3
Colombia	20,186				75		−1,343	18,918	54,441	34.7
Congo, People's Republic of the	2,242					93	−88	2,061	4,449	46.3
Costa Rica	4,764				247	1,743	−268	3,001	11,016	27.2
Cyprus	10,457					705	+47	9,799	8,898	110.1
Denmark	81,933						−47	81,886	82,764	98.9
Dominican Republic	6,878					352	−307	6,220	14,535	42.8
Ecuador	6,266				26		−195	6,097	11,229	54.3
Egypt	20,534					10,820	−1,926	7,787	65,244	11.9
El Salvador	4,271				2,881	3,093	−311	3,748	11,655	32.2
Equatorial Guinea	1,808						−36	1,773	2,712	65.4
Fiji	1,359					29	−2	1,329	1,378	96.4
Finland	68,400				380	3,970	+211	65,020	61,470	105.8
France	190,734	80,500		78,338	1,143		−9,745	184,294	484,980	38.0
Gabon	4,657					31	−6	4,619	4,791	96.4
Gambia, The	2,011						−13	1,998	2,331	85.7
Germany, Federal Republic of	1,481,310		146,228	30,419			+35,549	1,632,668	542,400	301.0
Ghana	8,736					1,877	−867	5,992	30,123	19.9
Greece	24,613					10,176	−1,027	13,410	46,194	29.0
Grenada					73	18	+1	56		
Guatemala	11,458						−18	11,440	11,868	96.4

Table I.3 (*concluded*). Summary of Transactions and Operations in Special Drawing Rights, Fiscal Year Ended April 30, 1976

(In thousands of SDRs)

		Transactions and Operations						Positions at April 30, 1976		
		Between participants			Between participants and the General Account					
		Received								
Participants	Holdings on April 30,1975	Through designation	Other	Used	Received	Used	Interest, Charges, and Assessment (Net)	Holdings	Net cumulative allocations	Holdings as per cent of net cumulative allocations
Guinea	3,409					356	−199	2,853	8,304	34.4
Guyana	3,768						−119	3,649	6,780	53.8
Haiti	2,394				188	612	−171	1,799	6,567	27.4
Honduras	4,845					1,153	−168	3,524	8,517	41.4
Iceland	5,988					1,847	−87	4,054	7,419	54.6
India	231,111					28,342	−4,252	198,516	326,220	60.9
Indonesia	53,471	3,000		50,000	22	149	−2,452	3,892	90,156	4.3
Iran	44,655	17,000					−333	61,322	61,896	99.1
Iraq	22,988	5,000					−11	27,977	23,217	120.5
Ireland	40,611	4,000			277		+59	44,947	39,213	114.6
Israel	444				14,000	8,216	−1,607	4,621	42,810	10.8
Italy	159,153				75,784	115,248	−8,041	111,649	318,000	35.1
Ivory Coast	15,033					990	+11	14,054	14,268	98.5
Jamaica	4,535			3,500	400	518	−559	357	17,673	2.0
Japan	434,082	3,000			6,797		+2,457	446,337	377,400	118.3
Jordan	7,387						−9	7,378	7,587	97.2
Kenya	5,177				1,733	4,846	−440	1,625	15,600	10.4
Korea	1,768				13,830	11,737	−755	3,106	22,230	14.0
Lao People's Democratic Republic	1,105				544	32	−124	1,492	4,449	33.5
Lesotho	536						−41	496	1,569	31.6
Liberia	2,897				881		−257	3,521	9,537	36.9
Luxembourg	7,340						−1	7,339	7,345	99.9
Madagascar	645				1,000	977	−321	348	8,730	4.0
Malawi	4,567					44	−21	4,501	5,085	88.5
Malaysia	61,644	4,000			37		+32	65,714	60,618	108.4
Mali	2,830				122	159	−188	2,606	7,542	34.6
Malta	5,087				1		−1	5,087	5,088	100.0
Mauritania	1,860					193	−104	1,563	4,449	35.1
Mauritius	2,574				224	101	−188	2,509	7,374	34.0
Mexico	129,135			43,000	124		−692	85,568	124,170	68.9
Morocco	14,804					487	−959	13,358	39,189	34.1
Nepal	2,214					11		2,202	2,215	99.4
Netherlands	498,355		22,091				+10,901	531,347	236,460	224.7
New Zealand	2,424				18,001	12,088	−2,600	5,736	69,402	8.3
Nicaragua	5,366					1,059	−162	4,145	8,943	46.3
Niger	4,400					11	−3	4,387	4,449	98.6
Nigeria	47,648	5,000			8,152		+356	61,157	45,555	134.2
Norway	88,743				232		+480	89,455	76,320	117.2

Oman	742							742	742	99.9
Pakistan	14,098				52,135	18,791	−2,362	45,080	81,639	55.2
Panama	6,175				1,387	771	−240	6,550	12,372	52.9
Papua New Guinea					1,900	74	+7	1,833		
Paraguay	6,565				1		−1	6,564	6,567	100.0
Peru	37,068			30,000		486	−150	6,431	40,479	15.9
Philippines	25,888	4,000			73	7,651	−1,037	21,273	51,495	41.3
Portugal					7,001	863	+76	6,213		
Romania	5,359				11,536	2,420	+246	14,721		
Rwanda	2,393						−164	2,229	6,567	33.9
Senegal	4,220					1,385	−308	2,526	11,442	22.1
Sierra Leone	4,193					398	−151	3,645	7,845	46.5
Somalia	4,312				46		−87	4,271	6,567	65.0
South Africa	36,396	12,000			226	635	−1,793	46,194	88,920	52.0
South Viet-Nam	19,745						−4	19,742	19,758	99.9
Spain	132,664	5,000			230	21,375	−49	116,470	126,135	92.3
Sri Lanka	12,550				5,816	5,815	−873	11,677	33,978	34.4
Sudan	20,368			10,000	4,000	11,423	−687	2,258	24,912	9.1
Swaziland	988				22		−67	943	2,712	34.8
Sweden	107,014						−19	106,995	107,025	100.0
Syrian Arab Republic	7,766					451	−380	6,935	17,034	40.7
Tanzania	624				4,904	3,447	−526	1,555	14,322	10.9
Thailand	29,548						+34	29,583	28,542	103.6
Togo	5,082						−1	5,081	5,085	99.9
Trinidad and Tobago	7,428				292	9	−520	7,191	20,811	34.6
Tunisia	8,220	2,000					−255	9,965	14,713	67.7
Turkey	33,346					9,725	−818	22,802	50,307	45.3
Uganda	4,364					1,674	−404	2,285	13,896	16.4
United Kingdom	674,795	21,500			396,274	404,899	−12,359	675,311	1,006,320	67.1
United States	1,927,384	105,670					−12,367	2,020,687	2,293,980	88.1
Upper Volta	4,427						−2	4,425	4,449	99.5
Uruguay	12,197				11,663	22,421	−650	789	23,937	3.3
Venezuela	120,561	5,000					+391	125,952	112,290	112.2
Western Samoa	212			170	1	20	−4	19	212	9.1
Yemen Arab Republic	2,129							2,129	2,130	99.9
Yemen, People's Democratic Republic of	3,585				1,315	1,230	−253	3,417	9,873	34.6
Yugoslavia	37,393					11,276	−1,469	24,649	69,291	35.6
Zaïre	4,934				30,730	3,728	−901	31,035	39,189	79.2
Zambia	8,818				9,894	3,686	−525	14,501	24,588	59.0
Total Participants	8,805,114	291,670	176,648	468,318	866,256	794,943	−22,438	8,853,989	9,314,835	
General Account	509,721				794,943	866,256	+22,438	460,847		
Total	9,314,835	291,670	176,648	468,318	1,661,200	1,661,200	—	9,314,835	9,314,835	

Table I.4. Currencies Transferred for Special Drawing Rights, January 1, 1970–April 30, 1976

(In millions of SDRs)

	Jan. 1, 1970– Apr. 30, 1970	Fiscal Years Ended April 30						Total
		1971	1972	1973	1974	1975	1976	Jan. 1, 1970– Apr. 30, 1976
Transactions with designation								
Belgian francs								
Provided directly to participants	1.0	—	—	—	—	—	—	1.0
Deutsche mark								
Converted to U.S. dollars	—	—	—	—	3.0	2.0	—	5.0
French francs								
Provided directly to participants	—	3.5	22.3	—	—	—	—	25.8
Converted to pounds sterling	—	8.0	—	—	—	—	—	8.0
Converted to U.S. dollars	—	14.0	21.0	—	—	104.0	80.5	219.3
	—	25.5	43.3	—	—	104.0	80.5	253.2
Italian lire								
Provided directly to participants	—	4.0	—	—	—	—	—	4.0
Mexican pesos								
Converted to U.S. dollars	—	—	—	—	—	1.0	—	1.0
Pounds sterling								
Provided directly to participants	—	27.4	56.3	59.9	—	—	—	143.6
Converted to French francs	—	6.7	1.3	—	—	—	—	8.0
Converted to U.S. dollars	—	45.8	53.4	5.4	3.0	1.0	4.0	112.6
	—	79.9	111.0	65.3	3.0	1.0	4.0	264.2
U.S. dollars								
Provided directly to participants	148.9	227.1	112.5	51.2	54.1	321.1	207.2	1,122.1
Converted to French francs	5.1	3.6	—	—	—	—	—	8.7
Converted to pounds sterling	—	7.5	—	—	—	11.5	—	19.0
	154.0	238.2	112.5	51.2	54.1	332.6	207.2	1,149.8
Total	155.0	347.6	266.8	116.6	60.1	440.6	291.7	1,678.2
Transactions without designation								
Belgian francs	—	—	—	—	37.0	56.5	67.9	161.4
Danish kroner	—	—	—	—	5.0	63.3	—	68.2
Deutsche mark	—	—	—	—	100.5	123.5	30.4	254.3
French francs	—	—	—	—	588.5	—	78.3	666.9
Netherlands guilders	—	—	—	11.7	264.9	5.2	—	281.8
Pounds sterling	20.0	—	25.0	291.8	—	—	—	336.8
U.S. dollars	—	285.5	355.0	—	—	—	—	640.5
Total	20.0	285.5	380.0	303.5	995.9	248.5	176.6	2,410.0

Table I.5. Transfer of Special Drawing Rights by the General Account, Fiscal Year Ended April 30, 1976

(In thousands of SDRs)

	Reconstitution	Payment of Remuneration	Purchase
Afghanistan	3,203	—	—
Argentina	82,500	—	—
Australia	—	285	—
Bangladesh	—	—	23,797
Bolivia	3,440	—	2,332
Brazil	—	147	—
Canada	—	483	—
Central African Republic	1,813	—	—
Chad	283	—	—
Chile	61,175	—	—
Colombia	75	—	—
Costa Rica	247	—	—
Ecuador	—	26	—
El Salvador	2,881	—	—
Finland	—	380	—
France	—	1,143	—
Grenada	—	—	73
Haiti	188	—	—
Indonesia	—	22	—
Ireland	—	277	—
Israel	14,000	—	—
Italy	75,682	102	—
Jamaica	400	—	—
Japan	—	6,797	—
Kenya	1,713	1	—
Korea	13,830	—	—
Lao People's Democratic Republic	544	—	—
Liberia	881	—	—
Madagascar	1,000	—	—
Malaysia	—	37	—
Mali	122	—	—
Malta	—	1	—
Mauritius	224	—	—
Mexico	—	124	—
New Zealand	18,000	1	—
Norway	—	232	—
Pakistan	52,032	—	—
Panama	1,387	—	—
Papua New Guinea	—	—	1,900
Paraguay	—	1	—
Portugal	—	—	7,001
Romania	—	—	11,436
South Africa	—	26	—
Spain	—	230	—
Sri Lanka	5,776	—	—
Sudan	4,000	—	—
Swaziland	22	—	—
Tanzania	4,904	—	—
Trinidad and Tobago	292	—	—
United Kingdom	—	—	396,274
Uruguay	11,620	—	—
Yemen, People's Democratic Republic of	1,315	—	—
Zaïre	30,730	—	—
Zambia	9,894	—	—
Total	404,173	10,317[1]	442,813

[1] Includes amounts of less than SDR 500 each paid to an additional 16 participants.

Table I.6. Reconstitution: Average Daily Holdings of Special Drawing Rights as a Per Cent of Average Net Cumulative Allocations

Participants	Dec. 31, 1974	Mar. 31, 1975	June 30, 1975	Sept. 30, 1975	Dec. 31, 1975	Mar. 31, 1976
Afghanistan	35.2	33.8	32.8	31.3	31.3	30.7
Algeria	104.7	104.8	104.8	104.7	104.7	104.8
Argentina	47.2	46.5	44.0	40.4	37.2	33.3
Australia	98.4	95.1	92.0	88.9	86.1	82.1
Austria	114.0	114.0	113.8	113.5	113.2	113.1
Barbados	100.0	100.0	100.0	100.0	100.0	99.1
Belgium	248.6	253.2	257.7	262.1	265.9	269.8
Benin	100.0	100.0	100.0	100.0	100.0	100.0
Bolivia	36.6	34.3	32.5	31.1	30.2	30.0
Botswana	100.0	100.0	100.0	100.0	100.0	100.0
Brazil	103.5	103.7	104.0	104.1	104.3	104.4
Burma	30.6	30.0	31.1	32.4	33.4	33.3
Burundi	58.5	57.3	56.2	55.1	54.2	52.6
Cambodia	37.6	34.9	33.1	31.3	29.7 [1]	27.0 [1]
Cameroon	100.0	99.9	99.8	99.7	99.6	99.3
Canada	131.8	132.3	132.7	132.9	132.7	133.0
Central African Republic	35.7	33.3	31.2	30.0	30.0	30.5
Chad	30.3	30.1	30.0	31.2	32.9	33.4
Chile	41.8	39.4	36.0	32.8	30.8	30.0
Colombia	36.7	36.1	36.9	37.7	38.5	38.2
Congo, People's Rep. of the	58.6	57.3	56.0	54.8	54.4	54.4
Costa Rica	30.9	30.3	30.0	30.1	31.1	31.3
Cyprus	117.0	117.4	117.7	117.8	117.6	117.5
Denmark	100.7	101.3	101.4	101.8	102.3	102.9
Dominican Republic	30.0	31.6	33.2	34.6	35.9	37.6
Ecuador	53.1	52.4	51.8	53.0	54.2	54.5
Egypt	30.0	31.1	31.9	32.4	32.6	31.5
El Salvador	36.8	35.1	33.8	32.6	31.9	31.4
Equatorial Guinea	82.1	80.9	79.7	78.6	77.5	76.2
Fiji	99.9	99.9	99.8	99.7	99.5	99.4
Finland	109.8	110.0	110.2	110.3	110.2	110.2
France	90.7	87.6	84.8	82.3	80.2	78.0
Gabon	99.0	98.9	98.7	98.6	98.5	98.4
Gambia, The	95.1	94.5	93.9	93.4	92.9	92.3
Germany, Fed. Rep. of	168.4	175.5	182.2	188.1	193.6	200.2
Ghana	36.8	35.1	33.3	32.0	30.9	30.0
Greece	44.6	45.6	47.0	47.9	48.6	48.4
Guatemala	89.8	90.0	90.3	91.4	92.5	92.5
Guinea	30.9	30.0	30.2	30.5	31.1	31.7
Guyana	56.8	56.1	56.0	56.4	57.5	57.7
Haiti	37.2	36.4	36.3	36.6	37.2	37.0
Honduras	64.2	63.3	62.1	60.7	59.5	59.1
Iceland	78.1	78.0	77.7	77.1	76.8	77.5
India	73.5	72.9	72.8	72.8	72.8	72.4
Indonesia	33.9	35.2	37.5	39.3	38.3	37.5
Iran	44.8	45.3	46.7	49.3	52.3	56.3
Iraq	96.1	96.3	96.5	96.7	96.8	96.8
Ireland	101.3	101.4	101.6	101.4	101.2	101.4
Israel	52.3	50.1	48.5	47.0	45.5	43.7
Italy	102.2	99.3	96.1	93.5	90.5	86.7
Ivory Coast	107.2	107.2	107.1	107.0	106.9	106.6
Jamaica	67.3	64.4	61.5	58.7	56.0	51.8
Japan	112.4	112.6	112.8	113.0	113.1	113.5
Jordan	99.4	99.3	99.1	99.0	98.9	98.8
Kenya	101.0	97.0	93.2	89.7	86.1	82.0
Korea	116.8	110.4	104.3	98.6	93.5	88.7
Lao People's Dem. Rep.	32.7	31.3	31.0	30.7	30.5	30.5
Lesotho	49.2	47.5	47.1	47.2	47.3	46.5
Liberia	34.2	32.9	32.0	31.4	31.1	30.3
Luxembourg	100.0	100.0	100.0	100.0	100.0	100.0

Table I.6 (*concluded*). Reconstitution: Average Daily Holdings of Special Drawing Rights as a Per Cent of Average Net Cumulative Allocations

Participants	Dec. 31, 1974	Mar. 31, 1975	June 30, 1975	Sept. 30, 1975	Dec. 31, 1975	Mar. 31, 1976
Madagascar	82.2	77.1	72.5	68.1	64.1	60.0
Malawi	94.2	93.8	93.5	93.1	92.8	92.4
Malaysia	103.7	103.6	103.3	103.1	102.9	102.7
Mali	30.7	30.0	31.0	32.0	32.8	33.2
Malta	100.0	100.0	100.0	100.0	100.0	100.0
Mauritania	52.3	50.8	49.3	47.8	46.4	45.3
Mauritius	88.3	85.1	82.0	79.1	76.3	73.4
Mexico	103.1	103.2	103.2	103.2	101.5	99.8
Morocco	37.8	36.6	36.0	36.8	37.5	37.3
Nepal	100.0	100.0	100.0	100.0	100.0	100.0
Netherlands	234.9	236.0	237.0	238.3	239.0	240.0
New Zealand	66.2	61.7	57.6	54.0	52.4	50.2
Nicaragua	68.1	67.2	66.1	65.0	64.5	63.8
Niger	99.6	99.5	99.5	99.4	99.4	99.3
Nigeria	99.3	99.6	100.1	100.8	102.0	103.6
Norway	111.8	112.2	112.5	112.8	113.1	113.6
Oman	100.0	100.0	100.0	100.0	100.0	100.0
Pakistan	34.2	32.4	31.3	30.1	30.0	30.0
Panama	31.6	30.1	30.0	30.2	30.5	30.0
Paraguay	100.0	100.0	100.0	100.0	100.0	98.8
Peru	99.1	98.6	98.2	97.8	97.4	97.0
Philippines	31.6	33.3	35.1	36.6	37.9	39.6
Rwanda	32.5	31.5	31.3	32.1	32.9	31.6
Senegal	47.9	46.3	46.0	45.7	45.2	43.7
Sierra Leone	63.1	63.1	63.3	63.5	63.6	63.0
Somalia	67.6	66.9	66.1	66.1	66.9	67.2
South Africa	38.3	37.1	35.8	34.7	33.8	33.4
South Viet-Nam	100.0	100.0	100.0	100.0	100.0	100.0
Spain	102.1	102.3	102.5	102.5	102.3	101.9
Sri Lanka	30.0	30.4	31.3	32.2	33.0	33.7
Sudan	30.0	32.9	34.8	35.5	35.8	36.1
Swaziland	31.2	30.1	30.5	31.5	32.4	32.1
Sweden	100.0	100.0	100.0	100.0	100.0	100.0
Syrian Arab Republic	30.4	31.2	32.6	33.9	35.1	35.9
Tanzania	48.9	45.5	42.1	39.7	38.0	35.4
Thailand	100.1	100.3	100.5	100.7	100.8	101.0
Togo	100.0	100.0	100.0	100.0	100.0	100.0
Trinidad and Tobago	47.5	45.8	44.2	43.3	43.1	42.5
Tunisia	42.9	42.4	44.1	45.7	47.2	48.9
Turkey	56.9	56.7	56.4	57.9	59.0	60.4
Uganda	83.6	80.4	77.2	74.0	70.9	67.3
United Kingdom	66.8	66.3	66.3	66.4	66.6	65.9
United States	82.1	81.7	81.4	81.0	80.7	80.6
Upper Volta	99.6	99.6	99.6	99.6	99.6	99.6
Uruguay	30.4	30.0	30.0	31.3	31.6	30.9
Venezuela	106.0	106.1	106.2	106.1	106.2	106.5
Western Samoa	100.0	100.0	100.0	98.7	93.7	89.1
Yemen Arab Republic	100.0	100.0	100.0	100.0	100.0	100.0
Yemen, People's Dem. Rep. of	72.1	69.5	67.0	64.6	62.8	61.0
Yugoslavia	32.7	33.1	34.3	35.3	36.1	36.5
Zaïre	38.6	35.9	33.3	31.3	30.2	30.0
Zambia	39.3	38.1	36.7	35.1	34.5	33.5

[1] Cambodia failed to meet the rules for reconstitution in the five-year periods ending December 31, 1975 and March 31, 1976.

Table I.7. Purchases of Currencies and Special Drawing Rights from the Fund, Fiscal Year Ended April 30, 1976

(In millions of SDRs)

		Within Credit Tranches		Under Decision on					Under the Non-Oil Facilities		
Member Purchasing	Within Gold Tranche	Under stand-by arrangements	Other[1]	Compensatory financing	Buffer stock financing	Extended Fund facility	Oil facility	Total Purchases	Currencies	Special drawing rights[2]	Total
Afghanistan	—	8.50	—	—	—	—	—	8.50	8.50	—	8.50
Argentina	110.00	—	—	220.00	—	—	76.09	406.09	257.50	72.50[3]	330.00
Bangladesh	—	62.80	—	—	—	—	25.78	88.58	39.00	23.80	62.80
Bolivia	—	—	—	—	4.66	—	—	4.66	2.33	2.33[3]	4.66
Cameroon	—	—	—	—	—	—	7.51	7.51	—	—	—
Central African Rep.	—	—	—	5.10	—	—	2.66	7.76	5.10	—	5.10
Chile	—	—	—	—	—	—	125.22	125.22	—	—	—
China, Rep. of	29.86	—	—	—	—	—	—	29.86	29.86	—	29.86
Costa Rica	—	—	—	—	—	—	12.00	12.00	—	—	—
Cyprus	—	—	—	—	—	—	14.00	14.00	—	—	—
Dominican Rep.	10.75	—	—	—	—	—	—	10.75	10.75	—	10.75
Egypt	—	—	—	—	—	—	20.19	20.19	—	—	—
Finland	63.76	—	—	—	—	—	71.25	135.01	63.76	—	63.76
France	78.34	—	—	—	—	—	—	78.34	78.34	—	78.34
Germany, Fed. Rep. of	30.42	—	—	—	—	—	—	30.42	30.42	—	30.42
Ghana	13.28	—	—	—	—	—	38.60	51.88	13.28	—	13.28
Greece	—	—	34.50	—	—	—	51.75	86.25	34.50	—	34.50
Grenada	0.50[4]	0.50[4]	—	—	—	—	0.49[4]	1.49	0.93	0.07	1.00
Haiti	—	4.25	—	—	—	—	4.14	8.39	4.19	0.05[3]	4.25
Iceland	—	—	—	11.50	—	—	21.97	33.47	11.50	—	11.50
India	—	—	—	—	—	—	201.34	201.34	—	—	—
Indonesia	80.00[4]	—	—	—	—	—	—	80.00	80.00	—	80.00
Israel	—	20.00	—	—	—	—	81.25	101.25	16.50	3.50[3]	20.00
Italy	—	—	—	—	—	—	780.24	780.24	—	—	—
Ivory Coast	—	—	—	26.00	—	—	10.35	36.35	26.00	—	26.00
Jamaica	13.26	—	—	—	—	—	29.20	42.46	13.26	—	13.26
Kenya	—	—	—	—	—	7.70	24.83	32.53	5.99	1.71[3]	7.70
Korea	—	—	—	—	—	—	152.69	152.69	—	—	—
Lao People's Dem. Rep.	3.25[4]	—	—	3.25[4]	—	—	—	6.50	5.96	0.54[3]	6.50
Malawi	3.75	—	—	—	—	—	3.73	7.48	3.75	—	3.75
Mali	—	—	—	—	—	—	3.99	3.99	—	—	—
Mauritania	2.13[4]	—	—	6.50[4]	—	—	3.39[4]	12.02	8.63	—	8.63
Morocco	28.24	—	40.96	56.50	—	—	—	125.70	125.70	—	125.70
New Zealand	—	—	—	101.00	—	—	129.37	230.37	101.00	—	101.00
Pakistan	—	41.00	—	—	—	—	111.01	152.01	17.00	24.00[3]	41.00
Panama	—	—	—	—	—	—	17.25	17.25	—	—	—
Papua New Guinea	5.00[4]	—	—	—	—	—	14.80[4]	19.80	3.10	1.90	5.00
Peru	30.75	—	44.59	—	—	—	52.66	128.00	75.34	—	75.34
Philippines	—	29.06	—	77.50	—	—	96.87	203.43	106.56	—	106.56
Portugal	29.28	—	—	—	—	—	114.76	144.04	22.28	7.00	29.28
Romania	—	40.00	—	95.00	—	—	—	135.00	123.56	11.44	135.00
Senegal	—	—	—	—	—	—	9.91	9.91	—	—	—
Sierra Leone	—	—	—	7.00	—	—	4.97	11.97	7.00	—	7.00
South Africa	91.17	80.00	—	—	—	—	—	171.17	171.17	—	171.17
Spain	—	—	—	—	—	—	275.93	275.93	—	—	—
Sri Lanka	—	—	10.80	—	—	—	34.13	44.93	10.80	—	10.80
Sudan	—	—	—	—	—	—	18.30	18.30	—	—	—
Tanzania	—	—	—	21.00	—	—	20.61	41.61	18.90	2.10[3]	21.00
Turkey	—	—	—	75.50	—	—	56.62	132.12	75.50	—	75.50
Uganda	—	—	—	20.00	—	—	—	20.00	20.00	—	20.00
United Kingdom	700.00	—	—	—	—	—	1,000.00	1,700.00	303.73	396.27	700.00
Uruguay	—	17.25	—	25.90	—	—	48.07	91.22	43.15	—	43.15
Western Samoa	0.36[4]	0.50[4]	—	0.50[4]	—	—	0.42[4]	1.78	1.36	—	1.36
Yemen, People's Dem. Rep. of	—	—	7.25	—	—	—	4.60	11.85	7.25	—	7.25
Yugoslavia	—	—	—	—	—	—	129.37	129.37	—	—	—
Zaïre	—	—	—	56.50	—	—	45.00	101.50	56.50	—	56.50
Zambia	0.01	—	19.00	19.00	—	—	18.93	56.94	31.27	6.74[3]	38.04
Total	1,324.12	303.86	157.10	827.75	4.66	7.70	3,966.24	6,591.42	2,071.22	553.97	2,625.18

[1] In accordance with Executive Board Decision No. 102-(52/11), adopted February 13, 1952. (See *Selected Decisions of the International Monetary Fund and Selected Documents* (Eighth Issue, Washington, 1976), pages 37–40.)

[2] In accordance with Article XXV, Section 7(*f*), of the Articles of Agreement.

[3] In accordance with Executive Board Decision No. 3457-(71/121) G/S, as amended. (See *Selected Decisions*, pages 173–74.)

[4] Transaction prior to the establishment of an initial par value in accordance with Executive Board Decision No. 1687-(64/22), adopted April 22, 1964. (See *Selected Decisions*, page 88.)

Table I.8. Purchases and Repurchases Under the Decision on Compensatory Financing of Export Fluctuations, February 27, 1963–April 30, 1976 [1]

(In millions of SDRs)

	Purchases		Related Repurchases		
Member	Date	Amount	Total	Under paragraph (7) of amended decision	Outstanding Balance April 30, 1976
Afghanistan	June 5, 1968	4.80	4.80	—	—
Argentina	Mar. 3, 1972	64.00	16.00	—	48.00
	Dec. 23, 1975	110.00	—	—	110.00
	Mar. 30, 1976	110.00	—	—	110.00
Bangladesh	Dec. 15, 1972	62.50	7.81	—	54.69
Brazil	June 7, 1963	60.00	60.00	—	—
Burma	Nov. 21, 1967	7.50	7.50	—	—
	Sept. 21, 1971	6.50	5.00	—	1.50
	Feb. 1, 1974	15.00	—	—	15.00
Burundi	June 9, 1970	2.50	2.50	0.80	—
Cambodia	Mar. 14, 1972	6.25	—	—	6.25
	Apr. 18, 1973	6.25	—	—	6.25
Central African Rep.	Feb. 3, 1976	5.10	—	—	5.10
Chile	Dec. 14, 1971	39.50	14.25	—	25.25
	Dec. 22, 1972	39.50	9.50	—	30.00
Colombia	Mar. 22, 1967	18.90	18.90	7.70	—
	Apr. 19, 1968 [2]	0.95 [2]	0.95	0.95	—
	Apr. 19, 1968 [2]	0.95 [2]	0.95	0.95	—
Dominican Republic	Dec. 6, 1966	6.60	6.60	3.30	—
Ecuador	Oct. 15, 1969 [2]	3.50 [2]	3.50	—	—
	Oct. 15, 1969 [2]	2.75 [2]	2.75	—	—
Egypt	Oct. 15, 1963	16.00	16.00	—	—
	Mar. 18, 1968	23.00	23.00	—	—
	Aug. 14, 1973	47.00	—	—	47.00
El Salvador	Dec. 16, 1969	6.25	6.25	4.30	—
Ghana	Dec. 20, 1966	17.25	17.25	0.75	—
Guatemala	Feb. 5, 1968 [2]	3.00 [2]	3.00	1.60	—
	Feb. 5, 1968 [2]	3.25 [2]	3.25	—	—
Guinea	Mar. 26, 1974	6.00	—	—	6.00
Guyana	Mar. 26, 1974	5.00	5.00	—	—
Haiti	Aug. 11, 1967	1.30	1.30	0.12	—
	Dec. 6, 1967	1.00	1.00	0.20	—
Iceland	Nov. 10, 1967	3.75	3.75	3.75	—
	Nov. 26, 1968	3.75	3.75	3.75	—
	Mar. 16, 1976	11.50	—	—	11.50
India	Dec. 28, 1967	90.00	90.00	80.00	—
	Feb. 19, 1974	62.00	62.00	62.00	—
Iraq	Nov. 8, 1967 [2]	17.50 [2]	17.50	—	—
Ivory Coast	Mar. 22, 1976	26.00	—	—	26.00
Jamaica	Mar. 20, 1974	13.25	—	—	13.25
Jordan	Nov. 15, 1971	4.50	4.50	—	—
	Jan. 3, 1973	2.85	2.84	—	0.01
Lao People's Dem. Rep.	Dec. 19, 1975	3.25	—	—	3.25
Mauritania	Apr. 2, 1976	6.50	—	—	6.50
Morocco	Apr. 8, 1976	56.50	—	—	56.50
New Zealand	May 10, 1967	29.20	29.20	—	—
	July 28, 1975	50.50	—	—	50.50
	Apr. 28, 1976	50.50	—	—	50.50
Peru	June 20, 1972	30.75	30.75	—	—
Philippines	May 18, 1973	38.75	9.69	9.69	29.06
	Apr. 5, 1976	77.50	—	—	77.50
Romania	Apr. 28, 1976	95.00	—	—	95.00
Sierra Leone	Mar. 24, 1976	7.00	—	—	7.00
Sri Lanka	Mar. 21, 1967	19.50	19.50	—	—
	Apr. 17, 1968	19.30	19.30	—	—
	Jan. 24, 1972 [2]	4.70 [2]	3.90	—	0.80
	Jan. 26, 1972	14.75	10.60	—	4.15
	June 22, 1973	18.60	—	—	18.60
	Feb. 15, 1974	5.90	—	—	5.90
Sudan	June 1, 1965	11.25	11.25	—	—
	Mar. 7, 1975	16.00	—	—	16.00
	Mar. 10, 1975	2.00	—	—	2.00
Syrian Arab Republic	Sept. 18, 1967	9.50	9.50	—	—
	Jan. 25, 1972	12.50	12.50	—	—
Tanzania	Apr. 7, 1976	21.00	—	—	21.00
Turkey	Nov. 14, 1975	37.75	—	—	37.75
	Apr. 2, 1976	37.75	—	—	37.75
Uganda	Apr. 9, 1976	20.00	—	—	20.00

Table I.8 (*concluded*). Purchases and Repurchases Under the Decision on Compensatory Financing of Export Fluctuations, February 27, 1963–April 30, 1976 [1]

(In millions of SDRs)

Member	Purchases: Date	Purchases: Amount	Related Repurchases: Total	Related Repurchases: Under paragraph (7) of amended decision	Outstanding Balance April 30, 1976
Uruguay	Feb. 7, 1968	9.50	9.50	5.00	—
	May 17, 1972	17.25	8.62	—	8.63
	Mar. 31, 1976	25.90	—	—	25.90
Western Samoa	Nov. 19, 1975	0.50	—	—	0.50
Zaïre	July 5, 1972	28.25	5.65	—	22.60
	Mar. 26, 1976	56.50	—	—	56.50
Zambia	Dec. 14, 1971	19.00	19.00	—	—
	Aug. 7, 1972	16.00	—	—	16.00
	Aug. 8, 1972	3.00	—	—	3.00
	Nov. 28, 1975	14.00	—	—	14.00
	Dec. 1, 1975	5.00	—	—	5.00
Total		1,828.05	620.36	184.86	1,207.69

[1] Before September 1966, purchases were made under Executive Board Decision No.1477-(63/8), adopted February 27, 1963. Subsequently until December 1975, they were made under the decision as amended by Executive Board Decision No. 2192-(66/81), adopted September 20, 1966. And since January 1976, they were under the decision as amended by Executive Board Decision No. 4912-(75/207), adopted December 24, 1975. (See *Selected Decisions of the International Monetary Fund and Selected Documents* (Eighth Issue, Washington, 1976), pages 62–66.)

[2] Date and amount of reclassification of previous purchases.

Table I.9. Fund Stand-By Arrangements for Members, Fiscal Year Ended April 30, 1976

(In millions of SDRs)

Member	Total Number of Stand-Bys Approved for Member	Date of Inception	Date of Expiration	Amount Approved 1974/75	Amount Not Purchased at Expiration	Amount Approved 1975/76	Amount Not Purchased April 30, 1976
Afghanistan	6	July 16, 1975	July 15, 1976			8.50	—
Bangladesh	2	June 14, 1974	June 13, 1975	31.25	—		
		July 28, 1975	July 27, 1976			62.50	21.50
Burma	3	Nov. 22, 1974	Nov. 21, 1975	31.50	7.50		
Chile	13	Mar. 19, 1975	Mar. 18, 1976	79.00	59.00		
Fiji	1	Nov. 8, 1974	Nov. 7, 1975	3.25	3.25		
Finland	3	June 4, 1975	June 3, 1976			95.00	95.00
Grenada	1	Sept. 29, 1975	Sept. 28, 1976			0.50	—
Guyana	9	May 15, 1974	May 14, 1975	5.00	5.00		
		June 18, 1975	June 17, 1976			5.00	5.00
Haiti	15	Aug. 1, 1974	July 31, 1975	4.00	—		
		Aug. 1, 1975	July 31, 1976			4.75	1.50
Israel	2	Nov. 8, 1974	Nov. 7, 1975[1]	32.50	—		
		Feb. 14, 1975	Feb. 13, 1976	32.50	—		
Korea	11	May 17, 1974	Dec. 31, 1974	20.00	—		
		Oct. 22, 1975	June 30, 1976			20.00	20.00
Liberia	12	Aug. 14, 1974	Aug. 13, 1975	4.00	4.00		
		Jan. 14, 1976	Jan. 13, 1977			5.00	5.00
Nepal	1	Feb. 18, 1976	Feb. 17, 1977			4.50	4.50
Pakistan	6	Nov. 11, 1974	Nov. 10, 1975	75.00	—		
Panama	9	Oct. 16, 1974	Oct. 15, 1975	9.00	9.00		
		Nov. 8, 1975	Nov. 7, 1976			9.00	9.00
Philippines	13	July 16, 1974	July 15, 1975[2]	38.75	—		
		May 31, 1975	May 30, 1976[3]			29.06	—
Romania	1	Oct. 3, 1975	Oct. 2, 1976			95.00	55.00
South Africa	3	Jan. 21, 1976	Jan. 20, 1977			80.00	—
Sudan	6	Aug. 14, 1974	Aug. 13, 1975	24.00	5.00		
Tanzania	1	Aug. 21, 1975	Aug. 20, 1976			10.50	10.50
United Kingdom	10	Dec. 31, 1975	Dec. 30, 1976			700.00	700.00
Uruguay	7	May 9, 1975	May 8, 1976			17.25	12.95
Western Samoa	1	Nov. 12, 1975	Nov. 11, 1976			0.50	—
Zaïre	2	Mar. 22, 1976	Mar. 21, 1977			40.96	40.96
Total				389.75	92.75	1,188.02	980.91

[1] Canceled as of February 14, 1975.
[2] Canceled as of May 31, 1975.
[3] Canceled as of April 1, 1976.

Table I.10. Summary of Stand-By Arrangements That Became Effective During the Fiscal Years Ended April 30, 1953–76[1]

(In millions of SDRs)

	Number	Amount
1953	2	55.00
1954	2	62.50
1955	2	40.00
1956	2	47.50
1957	9	1,162.28
1958	11	1,043.78
1959	15	1,056.63
1960	14	363.88
1961	15	459.88
1962	24	1,633.13
1963	19	1,531.10
1964	19	2,159.85
1965	24	2,159.05
1966	24	575.35
1967	25	591.15
1968	32	2,352.36
1969	26	541.15
1970	23	2,381.28
1971	18	501.70
1972	13	313.75
1973	13	321.85
1974	15	1,394.00
1975	14	389.75
1976	18	1,188.02
Total	379	22,324.94

[1] Includes renewals and extensions for one year or less, except the renewals each six months of the stand-by arrangement for Belgium granted in June 1952 until that member purchased the full amount of the equivalent of SDR 50 million in April 1957.

Table I.11. Summary of Members' Purchases and Repurchases, Years Ended April 30, 1948–76

(In millions of SDRs)

	Total Purchases by Members	Total Repurchases by Members
1948	606.04	—
1949	119.44	—
1950	51.80	24.21
1951	28.00	19.09
1952	46.25	36.58
1953	66.12	184.96
1954	231.29	145.11
1955	48.75	276.28
1956	38.75	271.66
1957	1,114.05	75.04
1958	665.73	86.81
1959	263.52	537.32
1960	165.53	522.41
1961	577.00	658.60
1962	2,243.20	1,260.00
1963	579.97	807.25
1964	625.90	380.41
1965	1,897.44	516.97
1966	2,817.29	406.00
1967	1,061.28	340.12
1968	1,348.25	1,115.51
1969	2,838.85	1,542.33
1970	2,995.65	1,670.69
1971	1,167.41	1,656.86
1972	2,028.49	3,122.33
1973	1,175.43	540.30
1974	1,057.72	672.49
1975	5,102.45	518.08
1976	6,591.42	960.10
Total	37,553.03[1]	18,347.50[2]

[1] Includes purchases that raised the level of the Fund's holdings of the drawing members' currencies to no more than 75 per cent of quota. These purchases are not subject to repurchase.

[2] Includes repurchases that reduced the Fund's holdings of members' currencies below the amounts originally paid on subscription account and repurchases of members' currencies paid in settlement of charges. Excludes sales of currencies of members held by the Fund in excess of 75 per cent of quota, as a result of previous purchases, and adjustments due primarily to settlement of accounts with countries that have withdrawn from the Fund; these sales and adjustments have the effect of repurchase.

Table I.12. Summary of Purchases Under the Oil Facility

(In millions of SDRs)

Member	Fiscal Years Ended April 30: 1975 [1]	Fiscal Years Ended April 30: 1976 [2]	Remaining Purchases May 1976 [2]	Total
All countries	**2,499.251**	**3,966.237**	**436.940**	**6,902.428**
Industrial countries	**675.000**	**1,780.240**	**—**	**2,455.240**
Italy	675.000	780.240	—	1,455.240
United Kingdom	—	1,000.000	—	1,000.000
Other developed countries	**794.600**	**851.020**	**262.750**	**1,908.370**
Finland	—	71.250	115.110	186.360
Greece	103.500	51.750	—	155.250
Iceland	17.200	21.970	—	39.170
New Zealand	109.300	129.370	—	238.670
Portugal	—	114.760	—	114.760
Spain	296.200	275.930	—	572.130
Turkey	113.200	56.620	91.490	261.310
Yugoslavia	155.200	129.370	56.150	340.720
Developing countries	**1,029.651**	**1,334.977**	**174.190**	**2,538.818**
Argentina	—	76.090	—	76.090
Bangladesh	51.500	25.780	14.690	91.970
Burundi	1.200	—	—	1.200
Cameroon	4.620	7.510	4.280	16.410
Central African Rep.	3.300	2.660	—	5.960
Chad	2.205	—	—	2.205
Chile	118.500	125.220	—	243.720
Costa Rica	18.837	12.000	6.830	37.667
Cyprus	8.100	14.000	7.970	30.070
Egypt	—	20.190	11.490	31.680
El Salvador	17.890	—	—	17.890
Fiji	0.340	—	—	0.340
Ghana	—	38.600 [1]	—	38.600
Grenada	—	0.490	—	0.490
Guinea	3.510	—	—	3.510
Haiti	4.800	4.140	—	8.940
Honduras	16.785	—	—	16.785
India	200.000	201.340	—	401.340
Israel	62.000	81.250	—	143.250
Ivory Coast	11.170	10.350	—	21.520
Jamaica	—	29.200	—	29.200
Kenya	36.000	24.830	3.100	63.930
Korea	100.000	152.690	—	252.690
Madagascar	14.300	—	—	14.300
Malawi	—	3.730	—	3.730
Mali	5.000	3.990	—	8.990
Mauritania	—	3.390	1.930	5.320
Morocco	—	—	18.000	18.000
Nicaragua	15.500	—	—	15.500
Pakistan	125.000	111.010	—	236.010
Panama	7.370	17.250	—	24.620
Papua New Guinea	—	14.800	—	14.800
Peru	—	52.660	—	52.660
Philippines	—	96.870	55.160	152.030
Senegal	15.525	9.910	—	25.435
Sierra Leone	4.914	4.970	—	9.884
Sri Lanka	43.500	34.130	—	77.630
Sudan	28.710	18.300	—	47.010
Tanzania	31.500	20.610	—	52.110
Uganda	19.200	—	—	19.200
Uruguay	46.575	48.070	—	94.645
Western Samoa	—	0.417	—	0.417
Yemen, People's Dem. Rep. of	11.800	4.600	7.420	23.820
Zaïre	—	45.000 [1]	32.530	77.530
Zambia	—	18.930	10.790	29.720

[1] Under the 1974 oil facility.
[2] Under the 1975 oil facility, except Ghana and Zaïre, as noted.

Table I.13. Total Repurchase Obligations Incurred in Accordance with Article V, Section 7(*b*), and Amounts Payable Forthwith by Members, as of April 30, 1975

(In thousands of SDRs)

	Total Repurchase Obligations Incurred				Amounts Payable Forthwith			
Member	Gold	Special drawing rights	Convertible currencies	Total	Gold	Special drawing rights	Convertible currencies	Total
Bahamas	—	—	2	2	—	—	2	2
Barbados	—	—	1,237	1,237	—	—	1,237	1,237
Bolivia	9	—	21,296	21,305	4	—	9,246	9,250[1]
Dominican Republic	93	259	10,398	10,750	93	259	10,398	10,750[2]
El Salvador	1,498	376	3,197	5,071	1,498	376	3,197	5,071[3]
Equatorial Guinea	—	—	1,753	1,753	—	—	1,753	1,753
Fiji	—	8	3,582	3,590	—	8	3,582	3,590[4]
Gambia, The	—	—	1,160	1,160	—	—	1,160	1,160
Guyana	—	—	3,240	3,240	—	—	3,240	3,240
Ivory Coast	—	762	23,408	24,170	—	410	12,590	13,000[5]
Jamaica	—	—	1,626	1,626	—	—	1,626	1,626
Kenya	—	1,059	21,561	22,620	—	562	11,438	12,000[6]
Lesotho	—	—	624	624	—	—	624	624
Mauritius	—	101	5,399	5,500	—	101	5,399	5,500
Morocco	—	—	16	16	—	—	16	16
Nicaragua	8	64	1,280	1,352	—	—	—	—[7]
Philippines	270	481	39,252	40,003	—	—	—	—[8]
Trinidad and Tobago	—	9	4,403	4,412	—	9	4,403	4,412
Uruguay	14,045	1,269	1,482	16,796	6,890	622	727	8,239[9]
Total	15,923	4,388	144,916	165,227	8,485	2,347	70,638	81,470

[1] Member discharged the equivalent of SDR 9,246,000 payable forthwith in convertible currencies in accordance with paragraph 2(c) of Executive Board Decision No. 3049-(70/44). (See *Selected Decisions of the International Monetary Fund and Selected Documents* (Eighth Issue, Washington, 1976), pages 91–93.) The amount payable forthwith in gold equivalent to SDR 4,000 was not collected in accordance with Executive Board Decision No. 4087-(73/105). Owing to the limitation of Article V, Section 7(*c*)(iv), the balance of the repurchase obligation incurred as of April 30, 1975 will be payable at the end of the subsequent financial year or years.

[2] Member discharged the equivalent of SDR 10,657,000 in special drawing rights and convertible currencies; the amount payable in gold equivalent to SDR 93,000 was postponed.

[3] Member discharged the equivalent of SDR 3,573,000 in special drawing rights and convertible currencies; the amount payable in gold equivalent to SDR 1,498,000 was postponed.

[4] Member's repurchase obligation, which was payable forthwith, amounted to the equivalent of SDR 3,250,000, owing to the limitation of Article V, Section 7(*c*)(iv); however, the member elected to discharge its entire repurchase obligation.

[5] Member has agreed with the calculations and will discharge the equivalent of SDR 13,000,000 payable forthwith in accordance with paragraph 2(a) of Executive Board Decision No. 3049-(70/44). Owing to the limitation of Article V, Section 7(*c*)(iv), the balance of the repurchase obligation incurred as of April 30, 1975 will be payable at the end of the subsequent financial year.

[6] Member discharged the equivalent of SDR 12,000,000 payable forthwith in accordance with paragraph 2(a) of Executive Board Decision No. 3049-(70/44). Owing to the limitation of Article V, Section 7(*c*)(iv), the balance of the repurchase obligation incurred as of April 30, 1975 will be payable at the end of the subsequent financial year.

[7] Member repurchased the equivalent of SDR 6,746,497, which discharged the balance of the repurchase obligation incurred as of April 30, 1972, the repurchase obligation incurred as of April 30, 1973, and a portion of the April 30, 1974 obligation, which was payable as of April 30, 1975; the amount payable in gold equivalent to SDR 3,503 was not collected in accordance with Executive Board Decision No. 4087-(73/105). Owing to the limitation of Article V, Section 7(*c*)(iv), the balance of the April 30, 1974 obligation and the repurchase obligation incurred as of April 30, 1975 will be payable at the end of the subsequent financial year or years.

[8] Member repurchased the equivalent of SDR 38,750,000, which discharged the balance of the repurchase obligation incurred as of April 30, 1973 and a portion of the April 30, 1974 obligation, which was payable as of April 30, 1975. Owing to the limitation of Article V, Section 7(*c*)(iv), the balance of the April 30, 1974 obligation and the repurchase obligation incurred as of April 30, 1975 will be payable at the end of the subsequent financial year or years.

[9] Member repurchased the equivalent of SDR 9,011,000, which discharged the balance of its repurchase obligation incurred as of April 30, 1974 payable as of April 30, 1975. Owing to the limitation of Article V, Section 7(*c*)(iv), the part of the repurchase obligation incurred as of April 30, 1975 payable forthwith was limited to the equivalent of SDR 8,239,000. Member discharged the equivalent of SDR 1,349,000 payable forthwith in special drawing rights and convertible currencies in accordance with paragraph 2(a) of Executive Board Decision No. 3049-(70/44). The amount payable forthwith in gold equivalent to SDR 6,800,000 was postponed. Member also repurchased the equivalent of SDR 1,402,000, which discharged part of the balance of the repurchase obligation incurred as of April 30, 1975 payable at the end of the subsequent financial year.

Table I.14. Repurchases of Currencies from the Fund, Fiscal Year Ended April 30, 1976

(In millions of SDRs)

Member Repurchasing	Repurchases in Respect of: Purchases under stand-by arrangements	Repurchases in Respect of: Schedules approved by Fund	Repurchases in Respect of: Article V, Section 7(*b*)	Voluntary Repurchases	Other Repurchases	Total
Afghanistan	—	2.0	—	—	—	2.0
Argentina	—	—	126.0	—	—	126.0
Bahamas	—	—	—[1]	—	—	—[1]
Bangladesh	20.5	7.8	—	—	—	28.3
Barbados	—	—	1.2	—	—	1.2
Bolivia	—	—	9.2	—	—	9.2
Burma	—	4.0	—	—	—	4.0
Central African Republic	—	1.3	—	—	0.1	1.5
Chad	—	—	—	—	0.1	0.1
Chile	—	—	23.8	—	—	23.8
Congo, People's Republic of the	—	—	—	—	0.1	0.1
Costa Rica	—	2.4	—	—	—	2.4
Dominican Republic	—	0.1	10.7	—	—	10.7
Egypt	—	20.0	—	—	0.2	20.2
El Salvador	—	1.5	3.6	—	—	5.1
Equatorial Guinea	—	—	1.8	—	—	1.8
Fiji	—	—	3.6	—	—	3.6
Gabon	—	—	—	—	—[1]	—[1]
Gambia, The	—	—	1.2	—	—	1.2
Ghana	—	1.0	—	—	0.7	1.7
Grenada	—	—	—	—	0.5	0.5
Guyana	—	—	3.2	—	—	3.2
Haiti	—	—	—	3.7	0.2	3.8
India	—	—	—	62.0	—	62.0
Indonesia	—	—	10.0	—	—	10.0
Jamaica	—	5.5	2.3	5.5	—	13.2
Kenya	—	—	22.6	—	—	22.6
Lesotho	—	—	0.6	—	—	0.6
Liberia	1.5	—	—	—	0.4	1.9
Mali	—	2.0	—	—	0.2	2.2
Mauritania	—	0.5	—	1.0	0.1	1.6
Mauritius	—	—	5.5	—	—	5.5
Morocco	—	—	—[1]	—	—	—[1]
Nicaragua	—	—	5.2	—	—	5.2
Niger	—	—	—	—	—[1]	—[1]
Pakistan	—	25.0	—	—	0.9	25.9
Papua New Guinea	—	—	—	—	5.0	5.0
Philippines	—	0.3	26.2	—	—	26.6
Rwanda	—	2.1	—	—	—	2.1
Somalia	—	—	0.3	—	—	0.3
Sri Lanka	—	18.3	—	—	1.0	19.3
Sudan	—	9.0	—	—	0.6	9.6
Swaziland	—	0.3	—	—	0.1	0.4
Syrian Arab Republic	—	—	12.5	—	—	12.5
Trinidad and Tobago	—	—	4.4	—	—	4.4
Uganda	—	10.1	—	—	—	10.1
United Kingdom	—	396.3	—	—	—	396.3
Uruguay	—[1]	14.0	11.8	—	—	25.9
Yugoslavia	—	—	21.8	—	—	21.8
Zaïre	—	5.7	—	—	—	5.7
Zambia	—	—	19.0	—	—	19.0
Total	22.0	529.2	326.5[2]	72.1	10.2	960.1

[1] Less than SDR 50,000.

[2] Total includes SDR 46.8 million and SDR 207.8 million relating to Article V, Section 7(*b*), repurchase obligations incurred as of April 30, 1973 and April 30, 1974, respectively, as follows: 1973—SDR 25 million by the Philippines and SDR 21.7 million by Yugoslavia; 1974—SDR 126 million by Argentina, SDR 23.8 million by Chile, SDR 10 million by Indonesia, SDR 0.7 million by Jamaica, SDR 5.2 million by Nicaragua, SDR 1.2 million by the Philippines, SDR 0.3 million by Somalia, SDR 12.5 million by the Syrian Arab Republic, SDR 9 million by Uruguay, and SDR 19 million by Zambia.

NOTE:

Included in repurchases shown in the table are the following amounts related to purchases under the decision on compensatory financing of export fluctuations (amounts in millions of SDRs):

Argentina	16.0	Sri Lanka	14.5
Bangladesh	7.8	Syrian Arab Rep.	5.4
Burma	4.0	Uruguay	8.6
Chile	23.8	Zaïre	5.7
India	62.0		
		Total	147.7

Table I.15. Currencies and Special Drawing Rights Obtained from the Fund by Members in Purchases[1] for Their Own Currencies; Currencies and Special Drawing Rights Used by Members in Repurchases, Fiscal Year Ended April 30, 1976

(In millions of SDRs)

Medium	Currencies and SDRs Obtained by Members in Purchases[1]			Currencies and SDRs Used by Members in Repurchases			
	For EEC settlements by France and the Federal Republic of Germany	Other countries	Total	Under Article V, Section 7(*b*): Argentina	Under Article V, Section 7(*b*): Other countries	Not under Article V, Section 7(*b*)	Total
SDRs	—	554.0	554.0	2.6	7.2	430.2	440.0
Australian dollars	—	0.5	0.5	—	1.0	5.3	6.3
Austrian schillings	—	66.1	66.1	—	8.0	5.5	13.5
Bahrain dinars	—	3.0	3.0	—	—	—	—
Belgian francs	8.3	54.6	62.9	—	22.9	12.0	34.9
Brazilian cruzeiros	—	10.0	10.0	—	—	—	—
Canadian dollars	—	56.3	56.3	—	16.3	8.2	24.5
Deutsche mark	78.3	281.3	359.7	32.0	58.8	70.1	160.9
Ecuadoran sucres	—	1.0	1.0	—	—	—	—
French francs	—	404.7	404.7	28.9	13.9	13.8	56.5
Irish pounds	—	5.5	5.5	—	—	2.7	2.7
Japanese yen	—	255.7	255.7	15.0	14.0	7.1	36.1
Kuwaiti dinars	—	20.0	20.0	—	—[2]	1.7	1.7
Malta pounds	—	3.7	3.7	—	—	—	—
Mexican pesos	—	—	—	—	—[2]	—	—[2]
Netherlands guilders	22.1	75.8	97.8	10.0	4.5	8.0	22.4
Norwegian kroner	—	35.5	35.5	—	3.4	3.8	7.2
Pounds sterling	—	73.7	73.7	—	—	—	—
Qatar riyals	—	2.0	2.0	—	—	—	—
Saudi Arabian riyals	—	—	—	—	—[2]	—	—[2]
South African rand	—	6.0	6.0	—	—	—	—
Swedish kronor	—	38.5	38.5	—	5.2	5.8	11.0
U.A.E. dirhams	—	7.0	7.0	—	—	—	—
U.S. dollars	—	491.8	491.8	37.5	34.2	52.5	124.2
Venezuelan bolívares	—	69.7	69.7	—	11.1	7.0	18.1
Total	108.8	2,516.4	2,625.2	126.0[3]	200.5[3]	633.6	960.1

[1] Exclusive of oil facility purchases.

[2] Less than SDR 50,000.

[3] Total includes SDR 46.8 million and SDR 207.8 million relating to Article V, Section 7(*b*), repurchase obligations incurred as of April 30, 1973 and April 30, 1974, respectively, as follows: 1973—SDR 0.6 million in SDRs, SDR 4 million in Austrian schillings, SDR 16.3 million in Belgian francs, SDR 21.8 million in deutsche mark, SDR 0.3 million in Japanese yen, and SDR 3.8 million in Venezuelan bolívares; 1974—SDR 6.1 million in SDRs, SDR 4 million in Belgian francs, SDR 8 million in Canadian dollars, SDR 44.6 million in deutsche mark, SDR 39.4 million in French francs, SDR 15 million in Japanese yen, SDR 10 million in Netherlands guilders, SDR 3 million in Norwegian kroner, SDR 5.2 million in Swedish kronor, SDR 71.3 million in U.S. dollars, and SDR 1.2 million in Venezuelan bolívares.

Table I.16. Summary of Borrowings for 1974 and 1975 Oil Facilities

(In millions of SDRs)

Lender	Amounts of Borrowing Agreements: For 1974 oil facility	Amounts of Borrowing Agreements: For 1975 oil facility[1]	Amounts Borrowed: Fiscal years ended April 30: 1975	Amounts Borrowed: Fiscal years ended April 30: 1976	Amounts Borrowed: Remaining amounts May 1976	Total
Abu Dhabi	100.0	—	80.494	19.506	—	100.000
Austrian National Bank	—	100.0	—	68.650	31.350	100.000
National Bank of Belgium	—	200.0	—	100.000	100.000	200.000
Canada	246.9	—	194.301	52.627	—	246.928
Deutsche Bundesbank	—	600.0	—	455.100	144.900	600.000
Central Bank of Iran	580.0	410.0	479.760	510.240	—	990.000
Central Bank of Kuwait	400.0	285.0	333.645	313.145	38.210	685.000
Netherlands	150.0	200.0	122.000	228.000	—	350.000
Nigeria	100.0	200.0	80.815	219.185	—	300.000
Bank of Norway	—	100.0	—	64.890	35.110	100.000
Central Bank of Oman	20.0	0.5	16.286	4.214	—	20.500
Saudi Arabian Monetary Authority	1,000.0	1,250.0	822.600	1,427.400	—	2,250.000
Sveriges Riksbank	—	50.0	—	20.990	29.010	50.000
Switzerland[2]	—	250.0[2]	—	191.640	58.360	250.000
Central Bank of Trinidad and Tobago	—	10.0	—	10.000	—	10.000
Central Bank of Venezuela	450.0	200.0	369.350	280.650	—	650.000
Total	3,046.9[3]	3,855.5	2,499.251	3,966.237	436.940	6,902.428

[1] Totals of agreements concluded in 1975 and 1976.

[2] The equivalents of SDR 150 million from Switzerland and SDR 100 million from the Swiss National Bank.

[3] Of which an amount equivalent to SDR 464.077 million was made available for the 1975 oil facility (from Abu Dhabi SDR 19.506 million, Canada SDR 52.627 million, Iran SDR 85.24 million, Kuwait SDR 51.355 million, the Netherlands SDR 28.0 million, Nigeria SDR 19.185 million, Oman SDR 3.714 million, Saudi Arabia SDR 123.8 million, and Venezuela SDR 80.65 million).

Table I.17. Income and Expenses, Fiscal Years Ended April 30, 1960, 1965, 1970, and 1972–76

(In millions of SDRs)

	1960	1965	1970	1972	1973	1974	1975	1976
Operational income from regular facilities								
Service and stand-by charges, etc.	4.1	11.8	13.0	3.0	3.2	2.5	8.5	6.8
Charges on balances in excess of quotas	16.9	35.9	124.7	62.0	28.2	28.2	56.4	101.2
Interest on holdings of special drawing rights	—	—	0.4	7.2	10.2	7.8	21.1	20.8
Total operational income from regular facilities [1]	21.0	47.7	138.1	72.2	41.6	38.5	86.0	128.8
Remuneration	—	—	27.2	30.5	29.3	27.2	62.4	104.1
Interest on borrowing under the General Arrangements to Borrow and bilateral arrangements [2]	—	4.6	19.1	1.2	—	—	—	—
Total operational expenses	—	4.6	46.3	31.7	29.3	27.2	62.4	104.1
Net operational income from regular facilities	—	43.1	91.8	40.5	12.2	11.2	23.6	24.7
Operational income from the oil facility								
Service charges	—	—	—	—	—	—	12.5	19.8
Periodic charges	—	—	—	—	—	—	68.0	307.3
	—	—	—	—	—	—	80.5	327.1
Deduct: interest expense	—	—	—	—	—	—	69.2	303.4
Net operational income from the oil facility	—	—	—	—	—	—	11.3	23.7
Total net operational income	21.0	43.1	91.8	40.5	—	—	34.9	48.4
Net administrative expenses	6.7	13.0	27.7	36.0	38.8	42.6	44.9	52.2
Fixed property expenses	0.2	4.6	6.5	17.7	−4.8	5.9	−0.3	−0.9
Total expenses	6.9	17.6	34.2	53.7	34.0	48.4	44.6	51.3
Net income or expenses (−) [3]	+14.1	+25.5	+57.6	−13.3	−21.7	−37.2	−9.7	−2.9

[1] Excludes income from investments transferred to the Special Reserve until February 15, 1972.

[2] Includes transfer charges on borrowed currencies and interest on indebtedness.

[3] Net income or expense for each year was transferred to the General Reserve until 1971 and to the Special Reserve for the period 1972–76, except for the fiscal year 1970, when SDR 17.5 million was distributed to members under Article XII, Sections 6(*a*) and (*b*), of the Fund Agreement.

Table I.18. Schedules of Fund Charges

CHARGES ON TRANSACTIONS EFFECTED FROM MAY 1, 1963 AND UP TO JUNE 30, 1974

Charges in per cent per annum[1] for period stated and for portion of holdings in excess of quota by (per cent)

More than But not more than	0 50	50 100	100
Service charge	0.5	0.5	0.5
0 to 3 months	0.0	0.0	0.0
3 to 6 months	2.0	2.0	2.0
½ to 1 year	2.0	2.0	2.5
1 to 1½ years	2.0	2.5	3.0
1½ to 2 years	2.5	3.0	3.5
2 to 2½ years	3.0	3.5	4.0[2]
2½ to 3 years	3.5	4.0[2]	4.5
3 to 3½ years	4.0[2]	4.5	5.0
3½ to 4 years	4.5	5.0	
4 to 4½ years	5.0		

CHARGES ON TRANSACTIONS EFFECTED FROM JULY 1, 1974

Charges in per cent per annum[1] payable on holdings in excess of quota, for period stated:

Service charge	0.5
Up to 1 year	4.0
1 to 2 years	4.5
2 to 3 years	5.0
3 to 4 years	5.5[2]
4 to 5 years	6.0

CHARGES ON TRANSACTIONS EFFECTED UNDER THE OIL FACILITY FOR 1974

Charges in per cent per annum[1] payable on holdings in excess of quota, for period stated:

Service charge	0.5
Up to 1 year	6.875
1 to 2 years	6.875
2 to 3 years	6.875
3 to 4 years	7.000[2]
4 to 5 years	7.125
5 to 6 years	7.125
6 to 7 years	7.125

CHARGES ON TRANSACTIONS EFFECTED UNDER THE OIL FACILITY FOR 1975

Charges in per cent per annum[1] payable on holdings in excess of quota, for period stated:

Service charge	0.5
Up to 1 year	7.625
1 to 2 years	7.625
2 to 3 years	7.625
3 to 4 years	7.750[2]
4 to 5 years	7.875
5 to 6 years	7.875
6 to 7 years	7.875

CHARGES ON TRANSACTIONS EFFECTED UNDER THE EXTENDED FUND FACILITY

Charges in per cent per annum[1] payable on holdings in excess of quota, for period stated:

Service charge	0.5
Up to 1 year	4.0
1 to 2 years	4.5
2 to 3 years	5.0
3 to 4 years	5.5
4 to 5 years	6.0[2]
5 to 6 years	6.5
6 to 7 years	6.5
7 to 8 years	6.5

[1] Except for service charge, which is payable once per transaction and is stated as a per cent of the amount of the transaction.

[2] Point at which the Fund and the member consult.

Table I.19. Members That Have Accepted Article VIII, April 30, 1976

Member	Effective Date of Acceptance
Argentina	May 14, 1968
Australia	July 1, 1965
Austria	August 1, 1962
Bahamas	December 5, 1973
Bahrain	March 20, 1973
Belgium	February 15, 1961
Bolivia	June 5, 1967
Canada	March 25, 1952
Costa Rica	February 1, 1965
Denmark	May 1, 1967
Dominican Republic	August 1, 1953
Ecuador	August 31, 1970
El Salvador	November 6, 1946
Fiji	August 4, 1972
France	February 15, 1961
Germany, Fed. Rep. of	February 15, 1961
Guatemala	January 27, 1947
Guyana	December 27, 1966
Haiti	December 22, 1953
Honduras	July 1, 1950
Ireland	February 15, 1961
Italy	February 15, 1961
Jamaica	February 22, 1963
Japan	April 1, 1964
Kuwait	April 5, 1963
Luxembourg	February 15, 1961
Malaysia	November 11, 1968
Mexico	November 12, 1946
Netherlands	February 15, 1961
Nicaragua	July 20, 1964
Norway	May 11, 1967
Oman	June 19, 1974
Panama	November 26, 1946
Papua New Guinea	December 4, 1975
Peru	February 15, 1961
Qatar	June 4, 1973
Saudi Arabia	March 22, 1961
Singapore	November 9, 1968
South Africa	September 15, 1973
Sweden	February 15, 1961
United Arab Emirates	February 13, 1974
United Kingdom	February 15, 1961
United States	December 10, 1946

Table I.20. Publications Issued, Fiscal Year Ended April 30, 1976

Reports and Other Documents

Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1975
(English, French, German, and Spanish). Free

By-Laws, Rules and Regulations
Thirty-Third Issue (English, French, and Spanish). Free

Proposed Second Amendment to the Articles of Agreement of the International Monetary Fund: A Report by the Executive Directors to the Board of Governors
(English, French, and Spanish). Free

Summary Proceedings of the Thirtieth Annual Meeting of the Board of Governors
Free

Twenty-Sixth Annual Report on Exchange Restrictions
Free

Subscription Publications

Balance of Payments Yearbook
Volume 26, 1969–73 (clothbound). US$6.00
Volume 27, 1967–74 (monthly, loose-leaf). US$7.50
(binder available for US$3.50)

Direction of Trade
Monthly, with annual supplement.
US$10.00 a year

International Financial Statistics
Monthly (English, French, and Spanish).
US$20.00 a year

Staff Papers
Three times a year. US$6.00 a year

University libraries, faculty members, and students may obtain the four subscription publications listed above at the reduced rates of US$12.00 for all four publications, or US$5.00 for *International Financial Statistics* and US$3.00 each for the other publications.

For users of Fund publications that have access to a computer, tape subscriptions to *International Financial Statistics, Direction of Trade*, and the *Balance of Payments Yearbook* are available at US$1,000.00 a year each. This price includes the book version of the publication. The price to universities is US$300.00 a year for each subscription.

Books

Surveys of African Economies
US$5.00 a volume
Volume 6, covering The Gambia, Ghana, Liberia, Nigeria, and Sierra Leone was published in French.
The volumes in this series are available to university libraries, faculty members, and students at a reduced price of US$2.50 a volume.

Other

Finance and Development
Issued jointly with IBRD; quarterly (English, French, German, and Spanish. A selection of articles is published quarterly in Arabic and annually in Portuguese.). Free

IMF Survey
Twice monthly but only once in December (English, French, and Spanish). Private firms and individuals are charged for delivery.

Appendix II
Principal Policy Decisions of the Executive Board and Report to the Board of Governors

A. Adjustment of Fund's Holdings of Currencies

1. The Fund shall adjust its holdings of currencies for which computations are made pursuant to paragraph 1(ii) of Executive Board Decision No. 3637-(72/41) G/S[1] on at least the following occasions:
   (i) On each April 30;
   (ii) At the close of the last business day of each month with respect to the Fund's holdings of U.S. dollars; and
   (iii) When a member requests the Fund to adjust the Fund's holdings of its currency.

2. The adjustment of the Fund's holdings of a member's currency shall be made at a rate for the currency in terms of special drawing rights determined in accordance with Rule O-3, provided that if a rate under (c)(i) or (ii) of Rule O-3 is not communicated for the currency for any April 30 the adjustment shall be made when a rate is so communicated.

3. For the purpose of adjustments, the Fund's holdings of a currency shall, if agreed with the member, consist of the total of the balances of the currency as recorded on the Fund's books, plus the balance in any account receivable, or minus the balance in any account payable, in the currency, as of the date of adjustment.

4. The accounts payable to the Fund as of April 30, 1975 shall be settled not later than March 31, 1976. . . .

Decision No. 4667-(75/82)
May 16, 1975

B. Rates of Remuneration Under Rule I-10[2]

(a) Postponement of Review and Retention of Present Rate

In view of the brief time available for an adequate review of the rate of remuneration pursuant to Rule I-10(e) on the basis of all relevant factors, including the results of the formula in Rule I-10(d) for the three-month period ending on June 15, 1975, the Executive Directors decide:

1. The review of the rate of remuneration to be held not later than July 1, 1975 under Rule I-10(e) shall be held on or before July 14, 1975.

2. Pending the completion of the review referred to in 1 above and without prejudice to the outcome of that review, the rate of remuneration under Rule I-10(b) shall continue to be 5 per cent per annum during the period July 1 through July 14, 1975.

[1] See *Annual Report, 1972,* pages 88–89.

[2] See also Decision No. 5134-(76/95) G/S, reproduced in this appendix under J. Remuneration and Interest Rate on Special Drawing Rights.

3. In order to avoid a possible need for similar action on future occasions, the procedures of Rule I-10 relating to the time allowed for the review shall be reviewed at the earliest opportunity.

Decision No. 4719-(75/111)
June 27, 1975

(b) Review of Rates of Remuneration Under Rule I-10: Period Ended June 30, 1975

1. In accordance with Rule I-10(e) of the Rules and Regulations and Executive Board Decision No. 4719-(75/111) of June 27, 1975, the Executive Board has reviewed the rate of remuneration and decides that, effective July 8, 1975, the rate of remuneration shall be 3.75 per cent per annum in accordance with the formula in Rule I-10(b) and (d).

2. The Executive Board has also reviewed Rule I-10(c) and decides that the rate of remuneration shall be unified and Rule I-10(c) shall be abrogated as of July 8, 1975. Rule I-10(c) shall be deleted and the subsequent provisions of Rule I-10 shall be relettered.

Decision No. 4729-(75/117)
July 7, 1975

(c) Review of Rate of Remuneration Under Rule I-10: Period Ended December 31, 1975

In accordance with Rule I-10(d), the Executive Board has reviewed the rate of remuneration for the period from July 8 to December 31, 1975 and notes that, effective January 1, 1976, the rate of remuneration will be 3.50 per cent per annum in accordance with the formula in Rule I-10(b) and (c).

Decision No. 4906-(75/201)
December 19, 1975

C. Oil Facility for 1975: Reviews of Decision

1. The Executive Directors have reviewed Executive Board Decision No. 4634-(75/47),[3] adopted April 4, 1975 in accordance with paragraph 7 of that Decision.

2. The total of a member's purchases outstanding under Decision No. 4634-(75/47) shall not exceed 50 per cent of the amount referred to in paragraph 2(a) of that Decision as shown in the table in the Attachment to this Decision prior to any further increase that the Fund may adopt under paragraph 7 of that Decision.

3. Paragraph 5 of Decision No. 4634-(75/47) is amended to read:

> Not earlier than April 1, 1976 the Fund, after consultation with a member, may recommend that the member make a repurchase with respect to purchases under this decision because its gross reserves at the end of 1975 exceed the level at the end of 1973 or 1974, whichever is lower, but for a member that did not make a purchase under the facility with respect to 1974, the level of gross reserves at the end of 1975 will be compared to the level at the end of 1974.

4. The next review by the Executive Directors in accordance with paragraph 7 of Decision No. 4634-(75/47) will be held not later than October 31, 1975.

Decision No. 4769-(75/133)
July 28, 1975

[3] See *Annual Report, 1975*, page 94.

1. The Executive Directors have reviewed Executive Board Decision No. 4634-(75/47) adopted April 4, 1975 in accordance with paragraph 7 of that Decision.
2. A further review by the Executive Directors will be held not later than December 31, 1975.

Decision No. 4874-(75/180)
November 24, 1975

1. The Executive Directors have reviewed Executive Board Decision No. 4634-(75/47), adopted April 4, 1975, in accordance with paragraph 7 of that Decision.
2. A further review by the Executive Directors will be held not later than February 11, 1976.

Decision No. 4900-(75/198)
December 16, 1975

1. The Executive Directors have reviewed Executive Board Decision No. 4634-(75/47), adopted April 4, 1975 in accordance with paragraph 7 of that Decision.
2. Paragraph 1(b) of Decision No. 4634-(75/47) is amended to read:

   A member wishing to make a request under this decision shall submit, not later than the close of business on March 12, 1976, a statement of its intention to make the request.

3. The total of a member's purchases outstanding under Decision No. 4634-(75/47) shall not exceed the percentage of the amount referred to in paragraph 2(a) of that Decision as determined by the Fund after the close of business March 12, 1976.
4. The final review by the Executive Directors to establish the percentage under paragraph 3 above will be held not later than March 17, 1976.

Decision No. 4954-(76/16)
February 11, 1976

1. The Executive Directors have made the final review of Executive Board Decision No. 4634-(75/47), adopted April 4, 1975 in accordance with Executive Board Decision No. 4954-(76/16), adopted February 11, 1976.
2. In accordance with Decision No. 4954-(76/16) and taking account of the statements by members received before the close of business on March 12, 1976 of their intentions to request purchases, the Fund determines that for each such member the amount of the final purchase under Decision No. 4634-(75/47) shall not exceed the amount shown in column 6 of the table in the Attachment to this Decision.

Decision No. 4986-(76/47)
March 18, 1976

D. Subsidy Account

In order to help fulfill the purposes of the Fund as stated in Article I of the Articles of Agreement, including the promotion of cooperation between members and the Fund and among members on international monetary problems, the Fund will establish a Subsidy Account in cooperation with members to assist those members that are most seriously affected by the current situation to meet the cost of using resources made available through the Fund's oil facility for 1975. The Subsidy Account will be subject to the following provisions.

1. The Managing Director is authorized (i) to make arrangements to establish a Subsidy Account in the name of the International Monetary Fund with such depositories of the Fund as may be necessary, to be operated in accordance with the same administrative procedures as those that the Fund applies in operating its other accounts; and (ii) to take all measures necessary to implement this Decision.

2. The Subsidy Account will consist of currency deposited by donors on the basis of this Decision, securities in which currency in the Account is invested, currency representing the income of investment, and the proceeds of disinvestment. In contributing to the Subsidy Account, a donor may make a single deposit or may inform the Fund of its intention to make periodic deposits. The donor will specify the procedure that it intends to follow in making deposits and will consult the Fund on any subsequent changes.

3. (a) Payments will be made from the Subsidy Account to each of the members listed in Annex A that have made purchases under Executive Board Decision No. 4634-(75/47) [4] (hereinafter referred to as the recipients).

(b) Payments, after meeting any expenses, will be made as soon as is practicable after the end of each financial year of the Fund and will be calculated as a percentage per annum of the average daily balances of the Fund's holdings of the currency of each recipient in excess of its quota outstanding under Executive Board Decision No. 4634-(75/47) during the year. The percentage applicable will be the same for all recipients during a given financial year. To the extent that it proves financially possible, the Fund will equalize the percentages payable to all recipients during the period of payments under this Decision.

4. Currency held in the Subsidy Account may be invested in government securities issued by members, subject to the approval of the government in whose securities the investment is made.

5. The assets and records of the Subsidy Account will be kept separate from the assets and records of all other Accounts of the Fund and will be audited at the time of the annual audit of the Fund by the committee selected under Section 20 of the Fund's By-Laws. The property and assets of the Fund held in other Accounts will not be used to discharge liabilities or meet losses arising out of administration of the Subsidy Account; nor will the assets in the Subsidy Account be used to discharge liabilities or meet losses incurred in the administration of other Accounts.

6. (a) If the Executive Directors find that the Subsidy Account is no longer necessary or that its purpose cannot be carried out, the Account will be terminated.

(b) If any assets remain in the Subsidy Account on the date of its termination, the amount will be divided among the donors that have made deposits in it in proportion to their contributions.

7. If the Fund amends paragraph 3 or Annex A of this Decision, a donor (i) will be entitled to request and obtain the return of an amount equivalent to that part of its contribution that has not been used, to the same extent that it could obtain repayment under paragraph 6(b) of this Decision in the event that the Subsidy Account were terminated; and (ii) may cancel any notice of intention to make further deposits that it has given in accordance with paragraph 2 of this Decision. Calculations under this paragraph will be made as of the date of receipt by the Fund of the request or cancellation.

8. The Executive Directors will review this Decision annually.

Decision No. 4773-(75/136)
August 1, 1975

[4] See *Annual Report, 1975*, page 94.

Annex A

Afghanistan
Bangladesh
Burma
Burundi
Cameroon
Central African Republic
Chad
Dahomey
Egypt
El Salvador
Ethiopia
Ghana
Guinea
Guyana
Haiti
Honduras
India
Ivory Coast
Kenya
Khmer Republic
Laos
Lesotho
Malagasy Republic
Mali
Mauritania
Niger
Pakistan
Rwanda
Senegal
Sierra Leone
Somalia
Sri Lanka
Sudan
Tanzania
Uganda
Upper Volta
Western Samoa
Yemen Arab Republic
Yemen, People's Democratic Republic of

Together with such other countries on the list of May 1, 1975 of most seriously affected developing countries compiled by the Secretary-General of the United Nations that become members of the International Monetary Fund not later than February 27, 1976.

---

1. For the fiscal year ended April 30, 1976, a subsidy shall be paid to each member listed in Table 1 of EBS/76/271 at the rate of 5 per cent per annum of the average daily balances of the currency of the member held by the Fund in excess of quota outstanding under Executive Board Decision No. 4634-(75/47) during the year.
2. The payments shall be made in U.S. dollars based on the U.S. dollar/SDR exchange rate on July 19, 1976.

3. The payments shall be deemed to be made first from income earned from the investment of the contributions to the Subsidy Account and thereafter from the contributions.

4. No charge shall be levied for the services rendered by the Fund in the operation of the Subsidy Account for the fiscal year ended April 30, 1976.

5. The next review of Executive Board Decision No. 4773-(75/136) shall be conducted in May 1977.

Decision No. 5144-(76/102) SA
July 12, 1976

E. Compensatory Financing of Export Fluctuations: Revised Decision

Executive Board Decision No. 1477-(63/8),[5] adopted February 27, 1963, as amended by Executive Board Decision No. 2192-(66/81),[6] adopted September 20, 1966, is amended to read as follows:

1. The financing of deficits arising out of export shortfalls, notably those of primary exporting member countries, has always been regarded as a legitimate reason for the use of Fund resources, which have been drawn on frequently for this purpose. The Fund believes that such financing helps these members to continue their efforts to adopt adequate measures toward the solution of their financial problems and to avoid the use of trade and exchange restrictions to deal with balance of payments problems, and that this enables these members to pursue their programs of economic development with greater effectiveness.

2. The Fund has reviewed its policies to determine how it could more readily assist members, particularly primary exporters, encountering payments difficulties produced by temporary export shortfalls, and has decided that such members can continue to expect that their requests for drawings will be met where the Fund is satisfied that

(a) the shortfall is of a short-term character and is largely attributable to circumstances beyond the control of the member; and

(b) the member will cooperate with the Fund in an effort to find, where required, appropriate solutions for its balance of payments difficulties.

3. Drawings outstanding under this decision may amount to 75 per cent of the member's quota provided that (i) except in the case of shortfalls resulting from disasters or major emergencies, such drawings will not be increased by a net amount of more than 50 per cent of the member's quota in any 12-month period, and (ii) requests for drawings which would increase the drawings outstanding under this decision beyond 50 per cent of the member's quota will be met only if the Fund is satisfied that the member has been cooperating with the Fund in an effort to find, where required, appropriate solutions for its balance of payments difficulties.

4. The existence and amount of an export shortfall for the purpose of any drawing under this decision shall be determined with respect to the latest 12-month period preceding the drawing request for which the Fund has sufficient statistical data, provided that the Fund may allow a member to draw in respect of a shortfall for a 12-month period ending not later than six months after the latest month for which the Fund has sufficient statistical data.

5. In order to identify more clearly what are to be regarded as export shortfalls of a short-term character, the Fund, in conjunction with the member concerned, will seek to establish reasonable estimates regarding the medium-term trend of the member's exports based partly on statistical calculation and partly on appraisal of export prospects.

6. The shortfall for the purposes of this decision shall be the amount by which the member's export earnings in the shortfall year are less than the average of the member's export earnings for the five-year period centered on the shortfall year.

[5] See *Annual Report, 1963*, pages 196–99.

[6] See *Annual Report, 1967*, pages 159–61.

In computing the five-year average, earnings in the two post-shortfall years will be deemed to be equal to earnings in the two pre-shortfall years multiplied by the ratio of the sum of earnings in the most recent three years *to* that in the three preceding years. If the Fund considers that the result of the computations *under the previous sentence* is not reasonable, the Fund, in conjunction with the member, will use an estimate based on a judgmental forecast. When the Fund allows a member to draw under the proviso in paragraph 4 above, the Fund may use such methods of estimating exports during the period for which sufficient statistical data are not available as it considers reasonable.

7. Any member requesting a drawing under this decision will be expected to represent that it will make a repurchase corresponding to the drawing in accordance with the principles of Executive Board Decision No. 102-(51/11),[7] adopted February 13, 1952, as renewed by Executive Board Decision No. 270-(53/95), adopted December 23, 1953. Approximately one year and two years after a drawing by a member under this decision, the Fund, after consultation with the member, may recommend to the member that, in view of an improvement in its balance of payments and reserve position, it should make a repurchase in respect of a part or all of the outstanding drawing. The Fund will expect the member to repurchase in accordance with the recommendation.

8. A member requesting a drawing under the proviso in paragraph 4 above will also be expected to represent that, if the amount drawn on the basis of partially estimated data exceeds the amount that could have been drawn for the full 12-month period under paragraph 6 above, the member will make a prompt repurchase in respect of the outstanding drawing, in an amount equivalent to the excess.

9. Whenever the Fund's holdings of a member's currency resulting from a drawing under this decision are reduced by the member's repurchase or otherwise, the member's access to this facility, in accordance with its terms, will be restored *pro tanto*.

10. When drawings are made under this decision, the Fund will so indicate in an appropriate manner. Within 18 months from the date of any drawing made under the Fund's tranche policies or under the extended Fund facility, a member may request that all or part of the amount outstanding be reclassified and treated, for all purposes of this decision, as a drawing made under this decision. The Fund will agree to such a request if at the time of the drawing under the tranche policies or the extended Fund facility the member could have met the requirements for a drawing of an equal amount under this decision.

11. In order to implement the Fund's policies in connection with compensatory financing of export shortfalls, the Fund will be prepared to waive the limit on the Fund's holdings of 200 per cent of quota, where appropriate. In particular, the Fund will be prepared to waive this limit (i) where a waiver is necessary to permit compensatory drawings to be made under this decision or (ii) to the extent that drawings in accordance with this decision are still outstanding.

Moreover, the Fund will apply its tranche policies to drawing requests by a member as if the Fund's holdings of the member's currency were less than its actual holdings of that currency by the amount of any drawings outstanding under this decision.

12. The Fund will review the formula in paragraph 6 not later than March 31, 1977, and will review this decision as a whole when experience and developing circumstances make this desirable. The Fund will review this decision in any event whenever (i) drawings under this decision in any 12-month period exceed SDR 1.5 billion or (ii) outstanding drawings under this decision exceed SDR 3.0 billion.

Decision No. 4912-(75/207)
December 24, 1975

[7] *Selected Decisions of the International Monetary Fund and Selected Documents* (Eighth Issue, Washington, 1976), pages 37–40.

F. Stabilization of Prices of Primary Products

Paragraph 2 of Executive Board Decision No. 2772-(69/47),[8] adopted June 25, 1969, is amended to read:

2. In accordance with paragraph 1 above, the total of purchases outstanding pursuant to paragraph 1 of this decision shall not exceed 50 per cent of quota.

Decision No. 4913-(75/207)
December 24, 1975

G. Increase in Credit Tranches Under the Fund's Tranche Policies

Until the effective date of the second amendment of the Articles:

(i) for the purpose of the Fund's credit tranche policies, each tranche shall be equal to 36.25 per cent of quota;

(ii) references to the "first credit tranche" in existing stand-by arrangements and letters of intent shall be understood to mean a tranche equal to 36.25 per cent of quota; and

(iii) the reference to 265 per cent of the member's quota in paragraph 4(a) of Decision No. 4377-(74/114),[9] adopted September 13, 1974, shall be replaced by "276.25 per cent of the member's quota."

Decision No. 4934-(76/5)
January 19, 1976

H. Increases in Quotas of Fund Members—Sixth General Review

Report of the Executive Directors to the Board of Governors

1. Article III, Section 2 of the present Articles of Agreement provides that "The Fund shall at intervals of not more than five years conduct a general review, and if it deems it appropriate propose an adjustment, of the quotas of the members." This report and the attached Resolution on increases in quotas under the current, i.e., the sixth, general review are submitted to the Board of Governors, the organ competent under the Articles to deal with adjustments of quotas, in accordance with Article III, Section 2.

2. The subject of the adjustment of quotas, including the need for and the size of an increase in the total of quotas, the distribution of the total increase among members, and the mode of payment of the subscriptions on such increases has been under consideration both by the Executive Directors and by the Interim Committee of the Board of Governors on the International Monetary System. The Interim Committee considered the subject at its meeting in January 1975 and reached understandings on a number of the main issues. These understandings, which were set forth in paragraph 5 of the Communiqué issued by the Committee at the conclusion of that meeting, were as follows:

> The Committee considered questions relating to the sixth general review of the quotas of members, which is now under way, and agreed, subject to satisfactory amendment of the Articles, that the total of present quotas should be increased by 32.5 per cent and rounded up to SDR 39 billion. It was understood that the period for the next general review of quotas would be reduced from five years to three years. The Committee also agreed that the quotas of the major oil exporters should be substantially increased by doubling their share as a group in the enlarged Fund, and that the collective share of all other

[8] See *Annual Report, 1970,* page 175.

[9] See *Annual Report, 1975,* pages 88–90.

developing countries should not be allowed to fall below its present level. There was a consensus that because an important purpose of increases in quotas was strengthening the Fund's liquidity, arrangements should be made under which all the Fund's holdings of currency would be usable in accordance with its policies. The Committee invited the Executive Directors to examine quotas on the basis of the foregoing understandings, and to make specific recommendations as promptly as possible on increases in the quotas of individual member countries.

3. On the basis of a report of the Executive Directors on the progress made toward implementation of the understandings reached by the Interim Committee at its January 1975 meeting, the Board of Governors adopted in March 1975 the following Resolution:

RESOLVED:

That the Board of Governors, having noted the report of the Executive Directors entitled "Increases in Quotas of Members—Sixth General Review," continues its review under Article III, Section 2, and requests the Executive Directors to continue as promptly as possible their work on this matter on the basis of the understandings reached by the Interim Committee at its second meeting and to submit to the Board, after consideration by the Interim Committee, proposals on increases in the quotas of members and on the mode of payment of the subscriptions payable in respect of these increases.

4. At its meeting in Paris in June 1975 the Interim Committee considered again the subject of increases in quotas. The understandings reached at that meeting were stated in paragraph 9 of the Communiqué issued at the end of the meeting:

The Committee considered the report of the Executive Directors on the progress made toward implementation of the understandings reached in the Committee last January with regard to increases in the quotas of members as a result of the Sixth General Review of Quotas. The Committee noted with satisfaction that progress had been made in reaching agreement on quota increases to be proposed for individual countries. The Committee agreed that for the quota increases proposed as a result of this review, and subject to the amendment of the Articles, members should be given an option to pay 25 per cent of the increase in quota (which in the past members have had to pay in gold) in special drawing rights (SDRs), the currencies of certain other members, subject to their concurrence, or in the paying member's own currency. The question of payment in gold by agreement with the Fund would be settled as part of the provisions on gold. The balance of the increase in subscription would be paid, as in the past, in the paying member's own currency. The Committee also recommended that there should be no obligation for a member to repurchase the amount of its own currency paid in excess of 75 per cent of the increase in its quota. The Executive Directors have been asked to prepare and submit as promptly as possible to the Board of Governors, for consideration at its annual meeting in September 1975, a resolution that will include proposed increases in the quotas of individual members and provisions on the payment of corresponding subscriptions on the basis of the understandings reached by the Committee.

5. The discussion of the subject of quotas by the Interim Committee at its meeting in Washington on August 31, 1975 is reflected in the following passage from the Committee's Communiqué of August 31:

The Committee noted the progress made by the Executive Directors on the Sixth General Review of Quotas within the framework of the understandings reached at previous meetings of the Committee. The Committee noted the agreement on increases in the quotas of almost all members. In particular, the increases for the industrial countries and for the major oil exporting members have been agreed. The differences that remain among the other members are few and are expected to be resolved soon. The Committee asked the Executive Directors to prepare and submit to the Board of Governors a resolution on increases in the quotas of individual members. The Committee also asked the Executive Directors to complete their work on the mode of payment of the increases in quotas on the basis of the understandings already reached in the Committee so that appropriate recommendations can be submitted to the Board of Governors at the same time as the resolution on increases in quotas.

6. At the 1975 Annual Meeting of the Board of Governors of the Fund, the Board of Governors adopted the following Resolution:

Increases in Quotas of Members—Sixth General Review

RESOLVED:

That the Board of Governors, having noted the report of the Executive Directors entitled "Increases in Quotas of Members—Sixth General Review," dated August 22, 1975, and having endorsed the understandings reached so far by the Interim Committee on this subject, continues its review under Article III, Section 2 and requests the Executive Directors to complete as promptly as possible their work on this matter, on increases in individual quotas, and on the mode of payment of subscriptions in respect of them, and to submit appropriate proposals to the Board of Governors, after consideration of them by the Interim Committee.

7. The Interim Committee's discussion of the subject of quotas at its meeting in Jamaica in January 1976 is reflected in the following passage from the Committee's Communiqué dated January 8, 1976:

The Committee endorsed the recommendations contained in the report of the Executive Directors on the Sixth General Review of Quotas and the proposed resolution on increases in the quotas of individual members to be submitted to the Board of Governors for its approval. In this connection, the Committee reaffirmed its view that the Fund's holdings of each currency should be usable in the Fund's operations and transactions in accordance with its policies. Appropriate provisions for this purpose will be included in the draft amendments of the Fund's Articles. To give effect to the Committee's view in the period before the amendments become effective, it was agreed that, within six months after the date of the adoption of this resolution, each member shall make arrangements satisfactory to the Fund for the use of the member's currency in the operations and transactions of the Fund in accordance with its policies, provided that the Executive Directors may extend the period within which such arrangements shall be made.

8. The proposed increases in quotas cannot take effect until the second amendment of the Articles has become effective. The Executive Directors have agreed that they will propose to the Board of Governors, as part of a comprehensive amendment, provisions under which a member which consents to an increase in its quota would have to pay to the Fund twenty-five per cent of the increase in special drawing rights. The Board of Governors would be able, however, to prescribe that this payment could be made, on the same basis for all members, in whole or in part in the currencies of other members specified, with their concurrence, by the Fund, or in the member's own currency. A nonparticipant would have to pay in the currencies of other members specified by the Fund, with their concurrence, a proportion of the increase corresponding to the proportion to be paid in special drawing rights by participants. The balance of the increase would be paid by the member in its own currency. An eighty-five per cent majority of

the total voting power would be required for any decision relating to the payment of increases in quotas, except for the determination of a period and the specification of currencies to be paid.

9. The Executive Directors are agreed, reflecting the understandings reached at the third meeting of the Interim Committee and endorsed by the Board of Governors, that for increases in quotas proposed as a result of the current review, members will have an option to pay the former "gold" portion of the increases in SDRs, the currencies of other members specified by the Fund, subject to their concurrence, or in the members' own currencies without an obligation to repurchase. If it were considered desirable to permit members to pay part or all of this portion of the increases in gold by agreement with the Fund, it would be necessary for the Fund to decide, under the amended Articles, to accept payments from members in gold in connection with the current general review of quotas. A general decision or individual decisions for each proposed payment in gold could be taken by the Executive Directors. An eighty-five per cent majority of the total voting power would be required. The payments would be at a price agreed for each operation on the basis of prices in the market. (Draft Article V, Section 12(*b*) and (*d*))

10. Once the amended Articles have become effective, all members' currencies will be usable in accordance with the policies of the Fund. (Draft Article V, Section 3(*d*)) To give effect to the agreement reached in the Interim Committee on the desirability of arrangements under which all the Fund's holdings of currency would be usable in accordance with its policies in the period before amendment, the Resolution provides in paragraph 4 that, within six months after the date of the adoption of the Resolution, members shall make arrangements satisfactory to the Fund for the use of their currencies in the operations and transactions of the Fund in accordance with the Fund's policies. The Executive Directors would be able to extend the period within which such arrangements shall be made.

11. The draft Resolution does not provide for increases by fixed installments as was possible under Resolutions regarding earlier quinquennial reviews. A member will be able, however, to consent to an increase smaller than the maximum provided for, but the increase consented to should be a whole number in millions of SDRs. Within the period for consent under paragraph 5 of the Resolution, the member will be able to consent to further increases, up to the maximum provided for, at a later date, as was possible under earlier Resolutions. Payments would have to correspond to the increases consented to.

12. The increase in a member's quota under the Resolution will take effect on the latest of four relevant dates: the member's consent to the increase in quota, the payment of the increase in its subscription, the date on which the second amendment becomes effective, and the date on which the Fund determines that the participation requirement in paragraph 2 of the Resolution has been satisfied. Under that paragraph, the required degree of participation is reached when the Fund determines that members having not less than three fourths of the total of quotas on February 19, 1976 have consented to increases in their quotas. In determining whether this degree of participation has been reached, the Fund will take into account all consents to increases, whether they be increases to the maximum amount provided for or to a smaller amount. In order to give members time to take any necessary legislative action as well as to make arrangements to pay the increased subscriptions, it is provided that a member may consent to the increase in its quota at any time up to the end of one month following the effective date of the second amendment. If circumstances warrant, the Executive Directors may extend the period for consent.

13. The Executive Directors have determined that a member must pay the increase in its subscription within sixty days after the date on which the member notifies the Fund of its consent, or the effective date of the second amendment,

or the date on which the participation requirement is met, whichever is latest. This requirement appears in paragraph 6 of the proposed Resolution.

14. In accordance with the understanding reached by the Interim Committee at its meeting in January 1975, the Resolution provides that the next general review of quotas will be completed by February 9, 1978.

15. The Executive Directors recommend the adoption of the attached Resolution. This Resolution is designed to enable the Board of Governors to vote at one time on all matters connected with the increases in quotas under the Resolution. . . .

February 19, 1976

Resolution Submitted to the Board of Governors

WHEREAS the Executive Directors have considered the adjustment of the quotas of members in accordance with the Resolution of the Board of Governors of the International Monetary Fund at its 1975 Annual Meeting:

> That the Board of Governors, having noted the report of the Executive Directors entitled "Increases in Quotas of Members—Sixth General Review," dated August 22, 1975, and having endorsed the understandings reached so far by the Interim Committee on this subject, continues its review under Article III, Section 2 and requests the Executive Directors to complete as promptly as possible their work on this matter on increases in individual quotas and on the mode of payment of subscriptions in respect of them and to submit appropriate proposals to the Board of Governors, after consideration of them by the Interim Committee;

WHEREAS the Executive Directors have submitted to the Board of Governors a report entitled "Increases in Quotas of Fund Members—Sixth General Review" containing recommendations on increases in the quotas of individual members of the Fund; and

WHEREAS the Interim Committee of the Board of Governors on the International Monetary System has endorsed the recommendations contained in the report of the Executive Directors; and

WHEREAS the Executive Directors have been requested to prepare and submit to the Board of Governors as soon as possible proposals to amend the Articles of Agreement of the Fund, including a proposal for the modification of the provisions relating to the payment of increases in quotas; and

WHEREAS the Executive Directors have recommended the adoption of the following Resolution of the Board of Governors, which Resolution proposes increases in the quotas of members of the Fund as a result of the sixth general review of quotas and deals with certain related matters, by vote without meeting pursuant to Section 13 of the By-Laws of the Fund;

NOW, THEREFORE, the Board of Governors hereby RESOLVES that:

1. The International Monetary Fund proposes that, subject to the provisions of this Resolution, the quotas of members of the Fund shall be increased to the amounts shown against their names in the Annex to this Resolution, provided that any member may consent to an increase in its quota that is smaller than the one shown in the Annex, and may consent thereafter to further increases up to the amount shown against its name in the Annex not later than the date prescribed by or under paragraph 5 below. Each increase shall be a whole number in millions of special drawing rights.

2. A member's increase in quota as proposed by this Resolution shall not become effective unless the member has notified the Fund of its consent to the increase not later than the date prescribed by or under paragraph 5 below and has paid the increase in quota in full, provided that no increase in quota shall become effective before (i) the effective date of the second amendment of the Articles or (ii) the date of the Fund's determination that members having not less than three

fourths of the total of quotas on February 19, 1976 have consented to increases in their quotas, whichever is the later of these dates.

3. A member shall pay twenty-five per cent of the increase in special drawing rights, the currencies of other members specified, with their concurrence, by the Fund, or in the member's own currency, and shall pay the balance of the increase in its own currency.

4. A member shall, within six months after the date of the adoption of this Resolution, make arrangements satisfactory to the Fund for the use of the member's currency in the operations and transactions of the Fund in accordance with its policies, provided that the Executive Directors may extend the period within which such arrangements shall be made.

5. Notices in accordance with paragraph 2 above shall be executed by a duly authorized official of the member and must be received in the Fund not later than one month after the effective date of the second amendment of the Articles, provided that the Executive Directors may extend this period as they may determine.

6. Each member shall pay to the Fund the increase in its quota within sixty days after (a) the date on which it notifies the Fund of its consent or (b) the effective date of the second amendment of the Articles or (c) the date of the Fund's determination under paragraph 2 (ii) above, whichever is latest.

7. The seventh general review of quotas shall be completed by February 9, 1978.

Annex

	Proposed Maximum Quota (*In millions of SDRs*)
1. Afghanistan	45
2. Algeria	285
3. Argentina	535
4. Australia	790
5. Austria	330
6. Bahamas	33
7. Bahrain	20
8. Bangladesh	152
9. Barbados	17
10. Belgium	890
11. Benin	16
12. Bolivia	45
13. Botswana	9
14. Brazil	665
15. Burma	73
16. Burundi	23
17. Cambodia	31
18. Cameroon	45
19. Canada	1,357
20. Central African Republic	16
21. Chad	16
22. Chile	217
23. China	550
24. Colombia	193
25. Congo, People's Republic of the	17

	Proposed Maximum Quota
	(In millions of SDRs)
26. Costa Rica	41
27. Cyprus	34
28. Denmark	310
29. Dominican Republic	55
30. Ecuador	70
31. Egypt	228
32. El Salvador	43
33. Equatorial Guinea	10
34. Ethiopia	36
35. Fiji	18
36. Finland	262
37. France	1,919
38. Gabon	30
39. Gambia, The	9
40. Germany, Federal Republic of	2,156
41. Ghana	106
42. Greece	185
43. Grenada	3
44. Guatemala	51
45. Guinea	30
46. Guyana	25
47. Haiti	23
48. Honduras	34
49. Iceland	29
50. India	1,145
51. Indonesia	480
52. Iran	660
53. Iraq	141
54. Ireland	155
55. Israel	205
56. Italy	1,240
57. Ivory Coast	76
58. Jamaica	74
59. Japan	1,659
60. Jordan	30
61. Kenya	69
62. Korea	160
63. Kuwait	235
64. Laos	16
65. Lebanon	12
66. Lesotho	7
67. Liberia	37
68. Libyan Arab Republic	185
69. Luxembourg	31
70. Malagasy Republic	34

		Proposed Maximum Quota (*In millions of SDRs*)
71.	Malawi	19
72.	Malaysia	253
73.	Mali	27
74.	Malta	20
75.	Mauritania	17
76.	Mauritius	27
77.	Mexico	535
78.	Morocco	150
79.	Nepal	19
80.	Netherlands	948
81.	New Zealand	232
82.	Nicaragua	34
83.	Niger	16
84.	Nigeria	360
85.	Norway	295
86.	Oman	20
87.	Pakistan	285
88.	Panama	45
89.	Papua New Guinea	30
90.	Paraguay	23
91.	Peru	164
92.	Philippines	210
93.	Portugal	172
94.	Qatar	40
95.	Romania	245
96.	Rwanda	23
97.	Saudi Arabia	600
98.	Senegal	42
99.	Sierra Leone	31
100.	Singapore	110
101.	Somalia	23
102.	South Africa	424
103.	South Viet-Nam	90
104.	Spain	557
105.	Sri Lanka	119
106.	Sudan	88
107.	Swaziland	12
108.	Sweden	450
109.	Syrian Arab Republic	63
110.	Tanzania	55
111.	Thailand	181
112.	Togo	19
113.	Trinidad and Tobago	82
114.	Tunisia	63
115.	Turkey	200

		Proposed Maximum Quota (*In millions of SDRs*)
116.	Uganda	50
117.	United Arab Emirates	120
118.	United Kingdom	2,925
119.	United States	8,405
120.	Upper Volta	16
121.	Uruguay	84
122.	Venezuela	660
123.	Western Samoa	3
124.	Yemen Arab Republic	13
125.	Yemen, People's Democratic Republic of	41
126.	Yugoslavia	277
127.	Zaïre	152
128.	Zambia	141

Board of Governors Resolution No. 31-2
Adopted March 22, 1976

I. Trust Fund

1. The Executive Directors of the International Monetary Fund (the "Fund") adopt the Instrument to Establish the Trust Fund (the "Instrument") that is annexed to this Decision.

2. The objective of the Trust Fund (the "Trust") will be to provide balance of payments assistance on concessional terms to the members listed in Annex A to the Instrument that qualify for assistance in either or both of the periods July 1, 1976 through June 30, 1978 and July 1, 1978 through June 30, 1980.

3. The Fund will review the Instrument, and in particular the list, and the criteria of eligibility for inclusion, in Annex A, before January 1, 1978. The following provisions of the Instrument may not be modified: Section I, Paragraphs 1 and 2(c); Section II, Paragraphs 4(d) and 5(a); Section III, Paragraphs 1, 2, and 3; Section IV, Paragraph 1; and Section V, Paragraph 2. Any modification will affect only loans made after the effective date of the modification, provided that the Fund may decide that any modification that is favorable to eligible members will apply to the future performance of obligations under loans already made.

4. The amounts in excess of the capital value that are available from the sales of gold made after the second amendment pursuant to paragraph 7(*b*) of Schedule B of the Articles, as amended, will continue to be used to provide balance of payments assistance in accordance with the Instrument for the benefit of the members listed in Annex A.

5. The audit committee selected under Section 20 of the Fund's By-Laws will audit the financial records and transactions of the Trust. The audit will relate to the period representing the fiscal year of the Fund.

6. The expenses of conducting the business of the Trust will be paid by the Fund from the General Account, which will be reimbursed annually by the Trust on the basis of a reasonable estimate of these expenses by the Fund.

7. The Fund may decide that the Trustee will undertake other activities in connection with the distribution of the profits from the sale of gold for the benefit of developing countries in accordance with paragraph 6(*3*) of the Communiqué of

the Interim Committee of the Board of Governors of the Fund on the International Monetary System dated August 31, 1975 that can appropriately be carried out through the Trust, provided that the activities are consistent with the purposes of the Fund and are not inconsistent with any provision of the Instrument.

Decision No. 5069-(76/72)
May 5, 1976

Instrument to Establish the Trust Fund

Introductory Section

In order to help fulfill the purposes of the International Monetary Fund (the "Fund") as stated in Article I of the Articles of Agreement, including the promotion of cooperation on international monetary matters between its members and the Fund and among the members of the Fund, there shall be established a Trust Fund (the "Trust"), which shall be administered by the Fund as Trustee. The Trust shall be governed by and administered in accordance with the provisions of this Instrument.

Section I. Purposes and Resources of the Trust

Paragraph 1. *Purposes*

The Trust shall assist in fulfilling the purposes of the Fund by providing additional balance of payments assistance on concessional terms to support the efforts of eligible members that qualify for assistance to carry out programs of balance of payments adjustment.

Paragraph 2. *Resources*

(a) The resources of the Trust shall consist of gold and currencies sold, donated, or lent to the Trust, income from investments and loans, and the proceeds of repayment of loans or of disinvestment.

(b) A transferor may make a single transfer of resources to the Trust or transfers of resources from time to time during the period in which the Trust is providing balance of payments assistance. The Trustee shall invite transferors of resources to inform it of the form in which, and the procedures by which, they will make transfers.

(c) A transferor of resources that makes a transfer associated with the sale of gold by the Fund shall be understood to have agreed that the transfer is an irrevocable transfer within the meaning of Section IV, Paragraph 1 and Section V, Paragraph 2.

Section II. Operations of the Trust

Paragraph 1. *Form of balance of payments assistance*

Balance of payments assistance shall be provided to eligible members that qualify for assistance for the first period July 1, 1976 through June 30, 1978 or for the second period July 1, 1978 through June 30, 1980, or for both periods, in the form of loans on terms consistent with this Instrument.

Paragraph 2. *Eligible members*

Eligible members shall be those members of the Fund that are listed in Annex A.

An eligible member shall qualify for assistance if it satisfies the conditions of Paragraph 3 of this Section.

Paragraph 3. *Conditions for assistance*

(a) An eligible member shall consult the Managing Director of the Trustee before making a request for assistance.

(b) Before approving a request, the Trustee shall be satisfied that the member has a need for balance of payments assistance ("need") and is making a reasonable effort to strengthen its balance of payments position. The need of a member shall be assessed on the basis of the member's balance of payments position, its reserve position, and developments in its reserves.

(c) A member shall be deemed to be making a reasonable effort within the meaning of subparagraph (b) of this Paragraph if the member has presented to the Fund, in connection with a stand-by arrangement or extended arrangement granted by the Fund or in connection with a purchase from the Fund in the credit tranches, a program for twelve months that,

(i) for the first period in Paragraph 1 of this Section, falls predominantly within that period, i.e., begins not earlier than January 1, 1976 or not later than December 1, 1977; and

(ii) for the second period in Paragraph 1 of this Section, falls predominantly within that period, i.e., begins not earlier than January 1, 1978 or not later than November 1, 1979.

A program for one period in Paragraph 1 of this Section shall not include any months included in a program submitted in connection with a request for the other period.

(d) The Fund, in considering a member's program as described in subparagraph (c) of this Paragraph, shall assess, in accordance with subparagraph (b) of this Paragraph, the need of the member during the twelve months of the program. This assessment shall be deemed to determine the need of the member for assistance from the Trust during the period in Paragraph 1 of this Section within which the program falls, provided that the extent of the need assessed in connection with one program may be increased on the basis of an assessment made in connection with another program during the same period.

(e) If a member that wishes to qualify for assistance does not come within subparagraph (c) of this Paragraph, it shall present to the Trustee, when requesting assistance, a program for twelve months as required by subparagraph (c), and shall satisfy the Trustee that the program is in accordance with subparagraph (b) of this Paragraph. In making its determination under subparagraph (b) of this Paragraph, the Trustee shall apply the criteria applied by the Fund to a request for a purchase in the first credit tranche. The Trustee shall assess the member's need when the program is presented.

(f) The assessment of a member's need and the finding that the member is making a reasonable effort to strengthen its balance of payments position shall not be re-examined during the twelve months of the program for which the assessment and finding were made. There shall be no re-examination in connection with disbursements made after the twelve months with respect to the period in Paragraph 1 of this Section for which the assessment and finding were made unless the Trustee determines that the member's circumstances have changed substantially in that period. In any re-examination, the Trustee shall give the member the benefit of any reasonable doubt in arriving at a new assessment of the member's need or a new finding with respect to its effort to strengthen its balance of payments position during that period. Repurchases in respect of the use of the Fund's resources will be taken into account in determining the extent of a member's need.

(g) In considering a program in support of a request for assistance in the second period in Paragraph 1 of this Section, and in determining whether the member is making a reasonable effort within the meaning of subparagraph (b) of this Paragraph, the Trustee shall take into account the progress made by the member toward strengthening its balance of payments position under a program in the first period.

Paragraph 4. *Terms and conditions of loans from the Trust*

(a) The terms and conditions of a loan to a member shall prescribe that it shall repay each disbursement under the 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.

(b) Interest shall be charged at the rate of one-half of one per cent per annum on the outstanding balance of a loan and shall be paid in semiannual installments.

(c) Loans shall be expressed in special drawing rights, and the value of a currency in terms of the special drawing right shall be determined in accordance with the regulations of the Fund in effect on the date for which the calculation is made.

(d) Toward the end of the period of five years after the first disbursement under the first loan made under this Instrument, the Trustee shall review, in the light of circumstances and on the basis of uniform criteria, the repayment terms of outstanding loans.

(e) On the request of a member when repayment of an installment is due under a loan, the Trustee may reschedule the repayment if the Trustee finds that repayment on the due date would result in serious hardship for the member, provided that the rescheduling would not impair the ability of the Trust to meet its liabilities.

Paragraph 5. *Amounts available for disbursement*

(a) The amounts available for disbursement in respect of a period in Paragraph 1 of this Section shall be (i) the amounts realized by the Trust from the sales of one-half of the gold to be made available to the Trust, whether or not sold during the period, and any income from the investment of the proceeds of these sales, and (ii) the amounts of other transfers of resources to the Trust and other income of the Trust received during the period. The amount available for disbursement in respect of a period shall be expressed for all eligible members that qualify for assistance during that period as the same percentage of their quotas in effect on December 31, 1975 or to which they had consented before that date. No member shall receive disbursements in excess of its need.

(b) Interim disbursements may be made from time to time in respect of a period in Paragraph 1 of this Section. The last installment in respect of a period shall be made as soon as practicable after the end of the period.

Section III. Administration of the Trust

Paragraph 1. *Trustee*

(a) The Trust shall be administered by the Fund as Trustee. Except as otherwise required by the provisions of this Instrument or as determined by the Trustee, the Trust shall be administered in accordance with the same rules and procedures, including administrative rules and procedures, that apply to operations and transactions on the account of the Fund.

(b) The Trustee, acting through its Managing Director, is authorized (i) to make arrangements to establish special accounts in the name of the International Monetary Fund, which shall be accounts of the Fund as Trustee, with such depositories of the Fund as the Trustee deems necessary or expedient, and (ii) to take all other administrative measures that the Trustee deems necessary or expedient in order to carry out the purposes of this Instrument.

(c) Decisions and other actions taken by the Fund as Trustee shall be identified as taken in that capacity.

Paragraph 2. *Separation of assets and accounts*

(a) The resources and records of the Trust shall be kept separate from the assets and records of all other Accounts of the Fund.

(b) The Trustee may postpone disbursement of an amount of the proceeds of the sale of gold that it deems necessary for use as working capital in the administration of the Trust.

(c) The resources of the Trust shall be used only in accordance with this Instrument and shall not be used to discharge liabilities or to meet losses incurred by the Fund in the administration of its other Accounts. The property and assets of the Fund held in its other Accounts shall not be used to discharge liabilities or to meet losses arising out of administration of the Trust.

(d) The audit committee selected under Section 20 of the Fund's By-Laws shall audit the financial records and transactions of the Trust. The audit shall relate to the fiscal year of the Fund.

Paragraph 3. *Reimbursement of expenses*

The General Account of the Fund shall be reimbursed annually by the Trust in respect of the expenses of conducting the business of the Trust that are paid from the General Account. Reimbursement shall be made on the basis of a reasonable estimate of these expenses by the Fund.

Paragraph 4. *Investment and other operations and transactions*

(a) The Trustee may invest balances of currency held by the Trust in marketable obligations of international financial organizations or in marketable obligations issued by, and denominated in the currency of, the country whose currency is used to make the investment, provided that the concurrence is obtained of the country whose currency is used for investment.

(b) The Trustee may sell or exchange any of the resources of the Trust or use any of the resources, other than gold, as security for any loans to the Trust, provided that the concurrence is obtained of the members whose currencies are exchanged.

(c) The Trustee may establish such reserves for the purposes of the Trust as it deems appropriate.

(d) The Trustee shall discharge any obligations undertaken in connection with transfers that were not irrevocable within the meaning of Section I, Paragraph 2(c), and subject thereto may transfer to the Special Disbursement Account of the Fund any amounts received in the repayment of loans.

Section IV. Annual Report and Modifications

Paragraph 1. *Modifications*

If Paragraph 1 of Section II or the list of eligible members in Annex A is modified, a transferor may declare that it will make no further transfers to the Trust, and shall be entitled to request and obtain the return of an amount equivalent to that part of its transfer that has not been used. The unused part to which it shall be entitled shall be that proportion of the total of all unused amounts represented by its transfers in relation to all other transfers. No part of this Paragraph 1 shall apply to transfers that are irrevocable transfers under Section I, Paragraph 2(c).

Paragraph 2. *Report*

The Trustee shall report on the operation of the Trust in the annual report of the Executive Directors of the Fund to the Board of Governors of the Fund and shall include in that annual report the report of the audit committee on the Trust.

Section V. Period of Operation and Liquidation

Paragraph 1. *Period of operation*

The Trust established by this Instrument shall remain in effect for as long as is necessary to conduct and to wind up the business of the Trust.

Paragraph 2. *Liquidation*

When a decision is taken to liquidate the Trust, the resources of the Trust shall be used first to pay administrative expenses, and then to discharge the terms of transfers other than irrevocable transfers. The remainder of the resources, if any, shall be transferred to the Fund before, and to the Special Disbursement Account of the Fund after, the second amendment of the Articles of the Fund.

Section VI. Other Activities of the Trust

The Trustee may undertake other activities in connection with the distribution of the profits from the sale of gold for the benefit of developing countries in accordance with paragraph 6(*3*) of the Communiqué of the Interim Committee of the Board of Governors of the Fund on the International Monetary System dated August 31, 1975 that can appropriately be carried out through the Trust, provided that the activities are consistent with the purposes of the Fund and are not inconsistent with any provision of the Instrument.

Annex A. List of Members Eligible for Trust Assistance

Countries	IMF Quota: In millions of SDRs	IMF Quota: As per cent of total of quotas of eligible members
1. Afghanistan	37.0	0.984
2. Bangladesh	125.0	3.325
3. Benin	13.0	0.346
4. Bolivia	37.0	0.984
5. Botswana	5.0	0.133
6. Burma	60.0	1.596
7. Burundi	19.0	0.505
8. Cambodia	25.0	0.665
9. Cameroon	35.0	0.931
10. Central African Rep.	13.0	0.346
11. Chad	13.0	0.346
12. Congo, People's Rep. of	13.0	0.346
13. Egypt	188.0	5.000
14. El Salvador	35.0	0.931
15. Equatorial Guinea	8.0	0.213

Annex A (*concluded*). List of Members Eligible for Trust Assistance

Countries	IMF Quota: In millions of SDRs	IMF Quota: As per cent of total of quotas of eligible members
16. Ethiopia	27.0	0.718
17. Gambia, The	7.0	0.186
18. Ghana	87.0	2.314
19. Grenada	2.0	0.053
20. Guatemala	36.0	0.957
21. Guinea	24.0	0.638
22. Haiti	19.0	0.505
23. Honduras	25.0	0.665
24. India	940.0	25.000
25. Indonesia	260.0	6.915
26. Ivory Coast	52.0	1.383
27. Jordan	23.0	0.612
28. Kenya	48.0	1.277
29. Laos	13.0	0.346
30. Lesotho	5.0	0.133
31. Liberia	29.0	0.771
32. Madagascar	26.0	0.692
33. Malawi	15.0	0.399
34. Mali	22.0	0.585
35. Mauritania	13.0	0.346
36. Mauritius	22.0	0.585
37. Morocco	113.0	3.005
38. Nepal	14.0	0.372
39. Niger	13.0	0.346
40. Nigeria	135.0	3.590
41. Pakistan	235.0	6.250
42. Papua New Guinea	20.0	0.532
43. Paraguay	19.0	0.505
44. Philippines	155.0	4.122
45. Rwanda	19.0	0.505
46. Senegal	34.0	0.904
47. Sierra Leone	25.0	0.665
48. Somalia	19.0	0.505
49. South Viet-Nam	62.0	1.649
50. Sri Lanka	98.0	2.606
51. Sudan	72.0	1.915
52. Swaziland	8.0	0.213
53. Tanzania	42.0	1.117
54. Thailand	134.0	3.564
55. Togo	15.0	0.399
56. Uganda	40.0	1.064
57. Upper Volta	13.0	0.346
58. Western Samoa	2.0	0.053
59. Yemen Arab Republic	10.0	0.266
60. Yemen, People's Dem. Rep.	29.0	0.771
61. Zaïre	113.0	3.005
Total	3,760.0	100.000

J. Remuneration and Interest Rate on Special Drawing Rights

1. *Remuneration*
   Rule I-10 shall read as follows:
   (a) Unless the Executive Board decides otherwise, the rate of remuneration for each calendar quarter shall be three fifths of the combined market interest rate as determined in (b) below. The rates of remuneration calculated under this (a) shall be rounded to the nearest ¼ per cent.
   (b) The combined market interest rate shall be the average of the daily interest rates for the obligations, combined in accordance with the weights listed below, for the six-week period ending on the fifteenth day of the last month before the calendar quarter for which the rate of remuneration is determined:

	Per cent
Market yields for three-month U.S. Treasury bills	47
Three-month interbank deposits rate in Germany	18
Market yields for three-month U.K. Treasury bills	13
Three-month interbank money rate against private paper in France	11
Call money market rate (unconditional) in Japan	11
	100

   (c) The Fund will review the rate of remuneration before the beginning of each calendar quarter.
2. *Interest rate on special drawing rights*
   Rule Q-1(b) shall read as follows:
   The interest rate on holdings of special drawing rights shall be equal to the rate of remuneration in effect pursuant to Rule I-10(a).
3. *Date of Effectiveness and Review*
   This decision shall become effective on June 30, 1976 and shall be reviewed three years after that date.
4. *Rate of Remuneration for Calendar Quarter Beginning July 1, 1976*
   In accordance with the formula in Rule I-10 the rate of remuneration for the calendar quarter beginning on July 1, 1976 shall be 3.75 per cent per annum.

Decision No. 5134-(76/95) G/S
June 30, 1976

Appendix III
Press Communiqués of the Interim Committee and the Development Committee

Interim Committee of the Board of Governors on the International Monetary System

PRESS COMMUNIQUÉS

Fourth Meeting, Washington, August 31, 1975

1. The Interim Committee of the Board of Governors of the International Monetary Fund held its fourth meeting in Washington, D. C., on August 31, 1975 under the chairmanship of Mr. John N. Turner, Minister of Finance of Canada. Mr. H. Johannes Witteveen, Managing Director of the International Monetary Fund, participated in the meeting. The following observers attended during the Committee's discussions: Mr. Henri Konan Bédié, Chairman, Bank-Fund Development Committee; Mr. Gamani Corea, Secretary-General, UNCTAD; Mr. Wilhelm Haferkamp, Vice-President, EC Commission; Mr. René Larre, General Manager, BIS; Mr. Emile van Lennep, Secretary-General, OECD; Mr. F. Leutwiler, President, National Bank of Switzerland; Mr. Robert S. McNamara, President, IBRD; and Mr. Gardner Patterson, Deputy Director-General, GATT.

2. The Committee had a discussion of the world economic situation and outlook, and expressed its concern about the current severe problems of recession and unemployment, balance of payments disequilibria, and inflation. The Committee felt that industrial countries which have slack domestic demand conditions and relatively strong balance of payments positions, and which have made progress in reducing inflation, should lead in the promotion of a satisfactory rate of expansion in world trade and activity. The Committee believed that, on the basis of such a coordinated policy approach, a resumption of economic growth might be expected for the industrial world during the latter part of 1975 or the first half of 1976. Although rates of price increase in industrial countries have generally been subsiding, the Committee noted the disturbing fact that economic recovery in the industrial world will get under way with rates of inflation still unacceptably high.

Throughout the Committee's discussion, particular concern was expressed for the many primary producing countries, and especially the developing countries, whose current account deficits have been greatly enlarged by the increase in import costs and the downturn in global demand. Resumption of growth in world trade is urgently needed to alleviate the plight of such countries. Moreover, the Committee feared that, unless they were able to obtain adequate financing, many primary producing countries might have difficulty in fending off pressures to restrain imports, either through deflationary demand measures that would undermine their development efforts or through resort to trade restrictions. In view of these dangers, the Committee expressed the hope that the Executive Board would consider various steps that might be taken by the Fund to meet the present urgent need for a greater volume of financing.

3. The Committee noted the improvements in the 1975 oil facility introduced as a result of the July review by the Executive Directors and endorsed the efforts now in progress to raise the amount of resources that the Fund would be able to borrow for the financing of purchases under that facility to the total of SDR 5 billion that was agreed at the meeting of the Committee in January 1975. The Committee also endorsed the intention of the Executive Directors to have another review of the 1975 oil facility at an early date, one purpose of which would be to determine what action needs to be taken in the best interests of the international community, and also to undertake at about the same time a broader examination of the Fund's policies on the use of its resources.

4. The Committee welcomed the establishment of a Subsidy Account to assist those members that have been most seriously affected by the current situation to meet the cost of using the oil facility and commended those members that have already stated their willingness to make contributions to that account. At the same time, the Committee expressed concern at the fact that the total amount of the contributions by members that have already stated their willingness to contribute is substantially short of the total support that was contemplated and urged those members that have not yet pledged their support to make every effort to do so as soon as possible.

5. The Committee noted the progress made by the Executive Directors on the Sixth General Review of Quotas within the framework of the understandings reached at previous meetings of the Committee. The Committee noted the agreement on increases in the quotas of almost all members. In particular, the increases for the industrial countries and for the major oil exporting members have been agreed. The differences that remain among the other members are few and are expected to be resolved soon. The Committee asked the Executive Directors to prepare and submit to the Board of Governors a resolution on increases in the quotas of individual members. The Committee also asked the Executive Directors to complete their work on the mode of payment of the increases in quotas on the basis of the understandings already reached in the Committee so that appropriate recommendations can be submitted to the Board of Governors at the same time as the resolution on increases in quotas. The Committee reiterated its view that all of the Fund's holdings of currency should be usable in its transactions. The Committee agreed that on the question of majorities for the adoption of decisions of the Fund on important matters, a majority of 85 per cent should be required under the amended Articles for those decisions that can now be taken by an 80 per cent majority. It also agreed that amendments of the Articles should become effective when accepted by three fifths of the members having 85 per cent of the total voting power.

6. The Committee discussed the problem of gold, including the disposition of the gold holdings of the Fund. The elements of the consensus reached are described in this paragraph.

At the meeting of the Interim Committee on January 16, 1975, it was decided to move "toward a complete set of agreed amendments on gold, including the abolition of the official price and freedom for national monetary authorities to enter into gold transactions under certain specific arrangements, outside the Articles of the Fund, entered into between national monetary authorities in order to ensure that the role of gold in the international monetary system would be gradually reduced."

To implement this general undertaking, provision should be made for:

1. Abolition of an official price for gold.

2. Elimination of the obligation to use gold in transactions with the Fund, and elimination of the Fund's authority to accept gold in transactions unless the Fund so decides by an 85 per cent majority. This understanding would be without prejudice to the study of a gold substitution account.

3. Sale of one sixth of the Fund's gold (25 million ounces) for the benefit of developing countries without resulting in a reduction of other resources for their benefit, and restitution of one sixth of the Fund's gold to members. The proportion of any profits or surplus value of the gold sold for the benefit of developing countries that would correspond to the share of quotas of these countries would be transferred directly to each developing country in proportion to its quota. The rest of the Fund's gold would be subject to provisions in an amendment of the Articles that would create enabling powers exercisable by an 85 per cent majority of the total voting power.

The Committee noted that, in order to give effect to the understandings arrived at in this Committee, the countries in the Group of Ten have agreed to observe during the period referred to below the following arrangements, which could be subscribed to by any other member country of the Fund that wishes to do so. Other members might adhere to these arrangements, and on such occasions the necessary modifications in them would be made:

1. That there be no action to peg the price of gold.

2. That the total stock of gold now in the hands of the Fund and the monetary authorities of the Group of Ten will not be increased.

3. That the parties to these arrangements agree that they will respect any further condition governing gold trading that may be agreed to by their central bank representatives at regular meetings.

4. That each party to these arrangements will report semiannually to the Fund and to the Bank for International Settlements the total amount of gold that has been bought or sold.

5. That each party agree that these arrangements will be reviewed by the participants at the end of two years and then continued, modified, or terminated. Any party to these arrangements may terminate adherence to them after the initial two-year period.

Many members from developing countries expressed concern that the proposed arrangements for gold would give rise to a highly arbitrary distribution of new liquidity, with the bulk of gains accruing to developed countries. This would greatly reduce the chances of further allocations of SDRs, thereby detracting from the agreed objective of making the SDR the principal reserve asset and phasing out the monetary role of gold. This aspect should be studied, and measures explored to avoid these distortions.

7. The Committee noted the work done so far by the Executive Directors on the subject of the establishment of a Trust Fund and the possible sources of its financing in response to the request of the Development Committee. It was agreed to ask the Executive Directors to pursue their work with a view to completing it at an early date, taking into account the understandings reached in the Committee with regard to the use of profits from the sale of part of the Fund's gold for the benefit of developing countries, without neglecting the consideration of other possible sources of financing.

8. It was agreed that acceptable solutions must be found on the subject of the exchange rate system under the amended Articles, so that these agreed solutions can be combined with those on quotas and gold. The Executive Directors were requested to continue their work in order to arrive at acceptable solutions and to prepare for submission to the Board of Governors, after examination by the Committee at its next meeting, appropriate proposals for amendment of the Fund's Articles on all aspects that have been under consideration.

9. The Committee noted that the Executive Directors are in the process of conducting a review of the Fund's facility on compensatory financing with a view to improving a number of its aspects. It was agreed to urge the Executive Directors to complete their work on this subject as soon as possible, taking into account the various proposals that have been made by members of the Committee.

Fifth Meeting, Kingston, Jamaica, January 7–8, 1976

1. The Interim Committee of the Board of Governors of the International Monetary Fund held its fifth meeting in Kingston, Jamaica, on January 7–8, 1976 under the chairmanship of Mr. Willy de Clercq, Minister of Finance of Belgium, who was selected by the Committee to succeed Mr. John Turner of Canada as Chairman. Mr. H. Johannes Witteveen, Managing Director of the Fund, participated in the meeting. The following observers attended during the Committee's discussions: Mr. Henri Konan Bédié, Chairman, Bank-Fund Development Committee; Mr. G. D. Arsenis, representing the Secretary-General, UNCTAD; Mr. Wilhelm Haferkamp, Vice-President, EC Commission; Mr. Mahjoob A. Hassanain, Chief, Economics Department, OPEC; Mr. René Larre, General Manager, BIS; Mr. Emile van Lennep, Secretary-General, OECD; Mr. F. Leutwiler, President, National Bank of Switzerland; Mr. Olivier Long, Director-General, GATT; and Mr. Robert S. McNamara, President, IBRD.

2. The Committee endorsed the recommendations contained in the report of the Executive Directors on the Sixth General Review of Quotas and the proposed resolution on increases in the quotas of individual members to be submitted to the Board of Governors for its approval. In this connection, the Committee reaffirmed its view that the Fund's holdings of each currency should be usable in the Fund's operations and transactions in accordance with its policies. Appropriate provisions for this purpose will be included in the draft amendments of the Fund's Articles. To give effect to the Committee's view in the period before the amendments become effective, it was agreed that, within six months after the date of the adoption of this resolution, each member shall make arrangements satisfactory to the Fund for the use of the member's currency in the operations and transactions of the Fund in accordance with its policies, provided that the Executive Directors may extend the period within which such arrangements shall be made.

3. The Committee considered the question of the implementation of the agreement reached at its fourth meeting regarding the disposition of a part of the Fund's holdings of gold. It was agreed that action should be taken to start without delay the simultaneous implementation of the arrangements referred to in paragraph 6 of the press communiqué issued by the Committee on August 31, 1975. The sales of gold by the Fund should be made in public auctions according to an appropriate timetable over a four-year period. It is understood that the Bank for International Settlements would be able to bid in these auctions.

4. In its discussion of the world economic situation and outlook, the Committee noted that recovery from the severe international recession of 1974–75 was now under way in much of the industrial world. Nevertheless, current rates of both unemployment and inflation were still unacceptably high. The Committee called on the industrial countries, especially those in relatively strong balance of payments positions, to conduct their policies so as to ensure a satisfactory and sustained rate of economic expansion in the period ahead while continuing to combat inflation.

A special source of concern to the Committee was the deterioration in the external position of the primary producing countries, especially the developing ones. The general picture for the developing countries in 1975 was again one of large balance of payments deficits on current account, financed through heavy external borrowing and through the use of reserves already eroded by the inflation in recent years. With large current account deficits still in prospect this year, the Committee felt that the ability of many developing countries to maintain an adequate flow of imports in 1976, and to follow appropriate adjustment policies, would also depend on the availability of adequate credit from the Fund.

5. The Committee welcomed the recent decision of the Executive Directors liberalizing the compensatory financing facility. Under the new decision the Fund will be prepared to authorize drawings up to 75 per cent of a member's quota, as

against 50 per cent under the 1966 decision. Maximum drawings in any one year are raised from 25 per cent to 50 per cent of quota. Moreover, the decision enables the Fund to render assistance under the facility at an earlier stage of the development of a shortfall.

6. The Committee noted the report of the Executive Directors on their review of the Fund's policies on the use of its resources, and also on the Trust Fund for the benefit of the low-income members. After consideration of the issues involved, the Committee reached the following conclusions:

(a) It was agreed that the necessary steps should be taken to establish the Trust Fund without delay. Its resources would be derived from the profits of the sales of the Fund's gold, which should be augmented by voluntary national contributions. It was agreed that the amount of gold available for sale in accordance with the agreement reached by the Committee at its fourth meeting should be disposed of over a four-year period. The resources of the Trust Fund should be used to provide balance of payments assistance on concessionary terms to members with low per capita incomes. Initially, eligible members would be those with per capita incomes in 1973 not in excess of SDR 300.

(b) It was further agreed, that, until the effective date of the amendment of the Articles, the size of each credit tranche should be increased by 45 per cent, which would mean that total access under the credit tranches would be increased from 100 per cent to 145 per cent of quota, with the possibility of further assistance in exceptional circumstances. The present kinds of conditionality for the tranches would remain unchanged. The Fund will in due course consider again the question of access to the Fund's resources if it becomes evident that the needs of members make it advisable to re-examine this question.

7. The Committee noted the report of the Executive Directors on amendment, welcomed the progress made toward the solution of the outstanding issues, and commended them for the voluminous and successful work that they had done in order to achieve a major revision of the Articles. In particular, it welcomed the agreement that has been reached on provisions concerning the important problem of exchange rates. In this respect, it has endorsed a new Article IV of the Articles of Agreement which establishes a system of exchange arrangements. The new system recognizes an objective of stability and relates it to achievement of greater underlying stability in economic and financial factors. The Committee considered the remaining issues on which its guidance has been requested by the Executive Directors and agreed as follows:

(a) The amended Articles of Agreement should include a provision by which the members of the Fund would undertake to collaborate with the Fund and with other members in order to ensure that their policies with respect to reserve assets would be consistent with the objectives of promoting better international surveillance of international liquidity and making the special drawing right the principal reserve asset in the international monetary system.

(b) The amended Articles would contain an enabling provision under which the Fund would be able to sell any part of the gold left after the distribution of 50 million ounces in accordance with the arrangements referred to in paragraph 3 above, and use the profits (1) to augment the general resources of the Fund for immediate use in its ordinary operations and transactions, or (2) to make balance of payments assistance available on special terms to developing members in difficult circumstances. On the occasion of such sales the Fund would have the power to distribute to developing members a portion of the profits on the basis of their quotas or to make a similar distribution by the direct sale of gold to them at the present official price. Any decision on such a distribution should be taken by an 85 per cent majority of the total voting power. These powers of the Fund would be in addition to the power that the Fund would have under another enabling provision to restitute to all members, on the basis of present quotas and at the present official price, any part of the gold left after the disposition of the 50 million ounces referred to above.

(c) Decisions of the Fund on the use of the profits from the sale of its gold in the regular operations and transactions of the Fund should be taken by a 70 per cent majority of the total voting power and on decisions on use of the profits in other operations and transactions by an 85 per cent majority of the total voting power.

(d) The Executive Directors are urged to review, during the final stage of their work on the draft amendments, the majorities for operational decisions that do not reflect compromises of a political character with a view to considering the reduction, if possible, of the number and size of the special majorities that would be required under the amended Articles for such operational decisions. Such a review should be completed within the coming weeks and should not delay the completion of the comprehensive draft amendment.

(e) The majority required for the adoption of decisions on the method of valuation of the SDR under the amended Articles should be 70 per cent of the total voting power, with the exception of decisions involving a change in the principle of valuation or a fundamental change in the application of the principle in effect, which should be taken by an 85 per cent majority of the total voting power.

(f) The Executive Directors should continue their consideration of the subject of a substitution account without delaying completion of the comprehensive draft amendment.

(g) With respect to the obligation of participants in the Special Drawing Account to reconstitute their holdings of special drawing rights, it was agreed that the amended Articles should authorize the Fund to review the rules for reconstitution at any time and to adopt, modify, or abrogate these rules by a 70 per cent majority of the total voting power.

8. The Committee requested the Executive Directors to complete their work on amendment in the light of the guidance given by the Committee, and expects that the Executive Directors will be able to submit a comprehensive draft amendment for the approval of the Board of Governors, together with a report, within the coming weeks.

Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (Development Committee)

PRESS COMMUNIQUÉS

Fourth Meeting, Washington, September 3–4, 1975

1. The Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (the Development Committee) held its fourth meeting in Washington on September 3–4, 1975, under the chairmanship of Mr. Henri Konan Bédié, Minister of Economy and Finance for the Ivory Coast. The meeting was held in the Sheraton-Park Hotel, during the period of the Annual Meetings of the World Bank and the International Monetary Fund. Mr. Robert S. McNamara, President of the World Bank, Mr. H. Johannes Witteveen, Managing Director of the International Monetary Fund, and Mr. Henry J. Costanzo, Executive Secretary, took part in the meeting, which was also attended by representatives from 12 international and regional organizations and Switzerland as observers.

2. The Committee considered and approved for presentation to the Boards of Governors of the Bank and the Fund a report covering the progress of its work during the period October 1974–June 1975. The report, inter alia, noted the unanimous support given by the Committee to the establishment of a one-year Third Window in the World Bank for up to $1 billion of intermediate-term lending; expressed the Committee's hope for early progress in the establishment of a Special Trust Fund, toward which end the Committee had urged a comprehensive consideration by the Executive Directors of the IMF; and recorded the Committee's action in establishing a 12-member Working Group on access by developing countries to capital markets, as part of the Committee's approach to the longer-term problem of the capital requirements of developing countries. The report noted the role the Development Committee expected to play in facilitating international actions in the field of development and transfer of resources. In this connection, it referred to the need for substantial increases in real terms in external assistance, improved access to capital markets, trade liberalization and commodity arrangements, the effective functioning of the international monetary system, and appropriate domestic policies in developing countries as areas where such possible future actions were needed.

3. The Committee was informed by the Managing Director of the IMF of the status of consideration by the IMF's Executive Directors of questions associated with the establishment of a Special Trust Fund. The Committee was also informed of the consensus in the Interim Committee that the IMF sell a portion of its gold for the benefit of developing countries without resulting in a reduction of other resources for their benefit. The Committee welcomed this understanding, and agreed in principle that a Trust Fund should be established using profits derived from IMF gold sales, without neglecting the consideration of other possible sources of financing, for balance of payments assistance primarily to lower-income countries. The Committee also agreed to ask the Executive Directors of the IMF to continue their work on the Trust Fund, in response to the Committee's earlier request, with a view to completing it at an early date, taking into account various suggestions which have been made, including the possible use of gold profits for stabilization of export earnings.

4. The Committee was also informed by the President of the World Bank of the establishment and of the funding status of the Bank's new Third Window intermediate lending facility. The Committee stressed the important contribution this facility will make toward meeting the capital needs of the developing countries and

urged that additional contributions be made in order to provide sufficient funds to support the $1 billion target level of lending operations.

5. The Committee agreed that the Executive Board of the IBRD should give prompt consideration to a selective increase of the capital of the IBRD, and subsequently consider a general expansion of the capital base of the Bank.

6. The Committee received a status report from the Working Group on Access to Capital Markets, covering the organization of the Group and its initial consideration of measures to support access to capital markets by developing countries, with particular attention to a possible multilateral guarantee facility, and a review of regulatory and other constraints on access to capital markets.

7. The Committee reviewed its program of work for the period immediately ahead, and in addition to the promotion of the establishment of a Special Trust Fund and work on improved access to capital markets, agreed to give special attention at its meetings during 1976:

—to an updating and enlargement of the analysis of the situation of developing countries prepared by the World Bank for the Committee's meeting last June, as well as a study of policies which developing countries might pursue to increase their growth;

—to means of improving the current situation affecting resource transfers, taking account of several suggestions made by members of the Committee, including quantitative aid targets and their implementation;

—to a survey of the policies, programs, and capital resource situations of the various international and regional lending institutions and initiatives in other international bodies, to help avoid duplication of functions and to promote a coordinated approach to the problem of transfer of resources;

—to the relationship of the current underutilization of productive capacity in the industrial countries to their development assistance efforts.

8. In considering its future work program, the Committee gave special attention to the question of commodity price fluctuations and to their consequences on the export earnings of developing countries. The Committee agreed to give priority attention to these questions in its program of work for 1976, including especially possible measures for the financing of buffer stocks, for the stabilization of export earnings, and other efforts to assist the developing countries in the area of trade, and to begin its examination of them at its next meeting.

9. The Committee confirmed its earlier agreement that it would meet next in Kingston, Jamaica on January 9 and 10, 1976, immediately following the meeting of the Interim Committee of the IMF.

Fifth Meeting, Kingston, Jamaica, January 9, 1976

1. The Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (the Development Committee) held its fifth meeting in Kingston, Jamaica, on January 9, 1976, under the chairmanship of Mr. Henri Konan Bédié, Minister of Economy and Finance for the Ivory Coast. Mr. Robert S. McNamara, President of the World Bank, Mr. H. Johannes Witteveen, Managing Director of the International Monetary Fund, and Mr. Henry J. Costanzo, Executive Secretary, took part in the meeting, which was also attended by representatives from a number of international and regional organizations and Switzerland, as observers.

2. The Committee reviewed the current situation and prospects of the developing countries and noted with concern that the non-oil developing countries in 1976 are likely to incur extraordinarily large current account deficits for the third successive year. The Committee also noted with grave concern that the minimum 6 per cent growth target of the Second Development Decade appears not likely

to be met for the non-oil developing countries and that substantial amounts of additional external capital are still required if the shortfall from this target is to be held to modest proportions. The Committee also discussed the means of improving the current situation affecting resource transfers, aid targets and their implementation, current underutilization of productive capacity in industrial countries in relation to their aid effort, and the status of current commodity issues. It was against this background that the Committee considered various measures to increase the flow of resources to the developing countries.

3. The Committee noted the decision of the Interim Committee to establish the Trust Fund to provide balance of payments assistance to low-income countries, as well as understandings reached regarding increased access to IMF resources. The Committee discussed the use of Trust Fund resources and indicated various considerations to be taken into account by the Executive Directors of the IMF in completing their work on establishment of the Trust Fund. The Committee noted that the Third Window for loans on intermediate terms by the World Bank had become operational, that contributions received and expected would permit Third Window loans of $600 million, and urged those countries which have not already contributed to help to increase its resources.

4. The Committee received an interim progress report from its Working Group on Access to Capital Markets, discussed the proposed work program on the review of regulatory and other constraints on access to capital markets by developing countries, and recommended the completion of studies on other appropriate mechanisms which might improve access to capital markets, including the possible use of multilateral guarantees, the strengthening of secondary markets, and the possible creation of an international investment fund.

5. The Committee noted the progress being made in regard to cofinancing arrangements by international and regional development banks and urged that these arrangements be expanded.

6. The Committee was presented with an initial survey of programs and capital resource situations of major international and regional lending institutions. The Committee expressed its full support for an adequate increase in capital financing of these institutions. In this context, the Committee requested the World Bank's Executive Directors to place before the Board of Governors at an early date a proposal for an increase in the Bank's capital. The Committee also supported an early increase in the capital of the International Finance Corporation. The Committee noted the particularly urgent need for assistance to low-income countries, and in this connection expressed its strong support of a substantially enlarged Fifth Replenishment of the International Development Association, which, in the opinion of many members, should be in real terms. The Committee noted that negotiations were under way to secure agreement in time to permit continuity of operations. The Committee urged timely action to replenish the resources of regional banks, including their soft-loan windows.

7. The Committee gave special attention to the question of commodity price fluctuations and to their consequences on the export earnings of developing countries. The Committee agreed to give priority attention to these questions, including especially possible measures for the financing of buffer stocks, for the stabilization of export earnings, and other efforts to assist the developing countries in the area of trade.

8. The Committee expressed its unanimous appreciation of the excellent arrangements made for the meeting and the hospitality extended by the Government of Jamaica.

Appendix IV
Executive Directors and Voting Power on April 30, 1976

Director *Alternate*	Casting Votes of	Votes by Country	General Account: Total votes[1]	General Account: Per cent of Fund total[2]	Special Drawing Account: Total votes[1]	Special Drawing Account: Per cent of Fund total[2]
APPOINTED						
Sam Y. Cross *Thomas Leddy*	United States	67,250	67,250	20.75	67,250	21.09
William S. Ryrie *Peter J. Bull*	United Kingdom	28,250	28,250	8.72	28,250	8.86
Eckard Pieske *Gerhard Laske*	Germany, Fed. Rep. of	16,250	16,250	5.01	16,250	5.10
Jacques Henri Wahl *Jean Foglizzo*	France	15,250	15,250	4.71	15,250	4.78
Kaichi Kawaguchi *Mikio Wakatsuki*	Japan	12,250	12,250	3.78	12,250	3.84
ELECTED						
Francesco Palamenghi-Crispi (Italy)	Italy	10,250				
	Malta	410				
Eduardo O. de Toledo (Spain)	Portugal	1,420				
	Spain	4,200	16,280	5.02	16,280	5.11
Bernard J. Drabble (Canada)	Bahamas	450				
Donal Lynch (Ireland)	Barbados	380				
	Canada	11,250				
	Ireland	1,460				
	Jamaica	780	14,320	4.42	14,320	4.49
Pieter Lieftinck (Netherlands)	Cyprus	510				
Tom de Vries (Netherlands)	Israel	1,550				
	Netherlands	7,250				
	Romania	2,150				
	Yugoslavia	2,320	13,780	4.25	13,780	4.32
Nazih Ahmed Deif (Egypt)	Bahrain	350				
Mohamed Finaish (Libyan Arab Republic)	Egypt	2,130				
	Iraq	1,340				
	Jordan	480				
	*Kuwait	900				
	*Lebanon	340				
	*Libyan Arab Rep.	490				
	Pakistan	2,600				
	*Qatar	450				
	*Saudi Arabia	1,590				
	Somalia	440				
	Syrian Arab Rep.	750				
	*United Arab Emirates	400				
	Yemen Arab Rep.	350	12,610	3.89	8,440	2.65
S. Jagannathan (India)	Bangladesh	1,500				
W. M. Tilakaratna (Sri Lanka)	India	9,650				
	Sri Lanka	1,230	12,380	3.82	12,380	3.88

Director *Alternate*	Casting Votes of	Votes by Country	General Account: Total votes[1]	General Account: Per cent of Fund total[2]	Special Drawing Account: Total votes[1]	Special Drawing Account: Per cent of Fund total[2]
ELECTED (continued)						
Jacques de Groote (Belgium)	Austria	2,950				
Heinrich G. Schneider (Austria)	Belgium	6,750				
	Luxembourg	450				
	Turkey	1,760	11,910	3.67	11,910	3.74
Per Åsbrink (Sweden)	Denmark	2,850				
Jørn H. Kjaer (Denmark)	Finland	2,150				
	Iceland	480				
	Norway	2,650				
	Sweden	3,500	11,630	3.59	11,630	3.65
Byanti Kharmawan (Indonesia)	Burma	850				
Sein Maung (Burma)	Cambodia	500				
	Fiji	380				
	Indonesia	2,850				
	Korea	1,050				
	Lao People's Dem. Rep.	380				
	Malaysia	2,110				
	Nepal	374				
	*Singapore	620				
	South Viet-Nam	870				
	Thailand	1,590	11,574	3.57	10,954	3.44
R. J. Whitelaw (Australia)	Australia	6,900				
R. S. Deane (New Zealand)	New Zealand	2,270				
	Philippines	1,800				
	Western Samoa	270	11,240	3.47	11,240	3.53
Horace R. Monday, Jr.	Botswana	300				
(The Gambia)	Burundi	440				
J. B. Zulu (Zambia)	*Ethiopia	520				
	Gambia, The	320				
	Guinea	490				
	Kenya	730				
	Lesotho	300				
	Liberia	540				
	Malawi	400				
	Nigeria	1,600				
	Sierra Leone	500				
	Sudan	970				
	Swaziland	330				
	Tanzania	670				
	Trinidad and Tobago	880				
	Uganda	650				
	Zambia	1,010	10,650	3.29	10,130	3.18
Francisco Suárez (Mexico)	Costa Rica	570				
Roberto Guarnieri (Venezuela)	El Salvador	600				
	Guatemala	610				
	Honduras	500				
	Mexico	3,950				
	Nicaragua	520				
	Venezuela	3,550	10,300	3.18	10,300	3.23

Director / *Alternate*	Casting Votes of	Votes by Country	General Account: Total votes[1]	General Account: Per cent of Fund total[2]	Special Drawing Account: Total votes[1]	Special Drawing Account: Per cent of Fund total[2]
ELECTED (concluded)						
Alexandre Kafka (Brazil)	Brazil	4,650				
Winston Temple-Seminario	Colombia	1,820				
(Peru)	Dominican Republic	680				
	Guyana	450				
	Haiti	440				
	Panama	610				
	Peru	1,480	10,130	3.13	10,130	3.18
Jahangir Amuzegar (Iran)	Afghanistan	620				
Costa P. Caranicas (Greece)	Algeria	1,550				
	Ghana	1,120				
	Greece	1,630				
	Iran	2,170				
	Morocco	1,380				
	Oman	320				
	Tunisia	730				
	Yemen, People's Dem. Rep. of	540	10,060	3.10	10,060	3.16
Roberto Gavaldá (Argentina)	Argentina	4,650				
Santiago Sevilla (Ecuador)	Bolivia	620				
	Chile	1,830				
	Ecuador	580				
	Paraguay	440				
	Uruguay	940	9,060	2.80	9,060	2.84
Antoine W. Yaméogo (Upper Volta)	Benin	380				
Samuel Nana-Sinkam (Cameroon)	Cameroon	600				
	Central African Rep.	380				
	Chad	380				
	Congo, People's Rep. of the	380				
	Equatorial Guinea	330				
	Gabon	400				
	Ivory Coast	770				
	Madagascar	510				
	Mali	470				
	Mauritania	380				
	Mauritius	470				
	Niger	380				
	Rwanda	440				
	Senegal	590				
	Togo	400				
	Upper Volta	380				
	Zaïre	1,380	9,020	2.78	9,020	2.83
			314,194[3]	96.95[2]	308,884[3]	96.90[2]

* Not a participant in the Special Drawing Account.

[1] Voting power varies on certain matters pertaining to the General Account with use of the Fund's resources in that Account. In voting on matters relating exclusively to the Special Drawing Account, only the number of votes allotted to members which are participants may be cast.

[2] Percentages of total votes of members in the General Account (324,114) and total votes of participants in the Special Drawing Account (318,804), respectively. The sum of the individual percentages may differ from the percentages of the totals because of rounding.

[3] This total does not include the votes of China and South Africa, which did not participate in the 1974 Regular Election of Executive Directors, and of Grenada and Papua New Guinea, which joined the Fund after that election; the combined votes of the four members total 9,920—3.05 per cent and 3.10 per cent, respectively, of those in the General Account and the Special Drawing Account.

Appendix V
Changes in Membership of Executive Board

Changes in the membership of the Executive Board between May 1, 1975 and April 30, 1976 were as follows:

P.S.N. Prasad (India) resigned as Executive Director for Bangladesh, India, and Sri Lanka, effective May 31, 1975.

S. Jagannathan (India) was elected Executive Director by Bangladesh, India, and Sri Lanka, effective June 1, 1975.

W.M. Tilakaratna (Sri Lanka), formerly Alternate Executive Director to P.S.N. Prasad (India), was appointed Alternate Executive Director to S. Jagannathan (India), effective June 1, 1975.

Gérard de Margerie (France) resigned as Alternate Executive Director to Jacques Henri Wahl (France), effective June 30, 1975.

Jean Foglizzo (France) was appointed Alternate Executive Director to Jacques Henri Wahl (France), effective August 1, 1975.

Anthony K. Rawlinson (United Kingdom) resigned as Executive Director for the United Kingdom, effective October 15, 1975.

William S. Ryrie (United Kingdom) was appointed Executive Director by the United Kingdom, effective October 17, 1975.

Peter J. Bull (United Kingdom), formerly Alternate Executive Director to Anthony K. Rawlinson (United Kingdom), was appointed Alternate Executive Director to William S. Ryrie (United Kingdom), effective October 17, 1975.

Clovis L.A. Albuquerque (Brazil) resigned as Alternate Executive Director to Alexandre Kafka (Brazil), effective October 31, 1975.

George Reynolds (Ireland) resigned as Alternate Executive Director to Bernard J. Drabble (Canada), effective October 31, 1975.

José Luis Zabala (Chile) resigned as Alternate Executive Director to Roberto Gavaldá (Argentina), effective October 31, 1975.

Donal Lynch (Ireland) was appointed Alternate Executive Director to Bernard J. Drabble (Canada), effective November 1, 1975.

Santiago Sevilla (Ecuador) was appointed Alternate Executive Director to Roberto Gavaldá (Argentina), effective November 1, 1975.

Winston Temple-Seminario (Peru) was appointed Alternate Executive Director to Alexandre Kafka (Brazil), effective November 1, 1975.

Charles R. Harley (United States) resigned as Alternate Executive Director to Sam Y. Cross (United States), effective November 4, 1975.

Thomas Leddy (United States) was appointed Alternate Executive Director to Sam Y. Cross (United States), effective November 5, 1975.

Maung Shein (Burma) resigned as Alternative Executive Director to Byanti Kharmawan (Indonesia), effective January 19, 1976.

Sein Maung (Burma) was appointed Alternate Executive Director to Byanti Kharmawan (Indonesia), effective January 20, 1976.

José Luis Mora (Spain) resigned as Alternate Executive Director to Francesco Palamenghi-Crispi (Italy), effective January 31, 1976.

Eduardo O. de Toledo (Spain) was appointed Alternate Executive Director to Francesco Palamenghi-Crispi (Italy), effective February 1, 1976.

The following served at certain times during 1975/76 as Temporary Alternate Executive Directors to the Executive Directors indicated:

Temporary Alternate Executive Director	**Executive Director for whom Temporary Alternate Served**
Samuel Arancibia (Chile)	Roberto Gavaldá (Argentina)
Eimar Avillez (Brazil)	Alexandre Kafka (Brazil)
Miss C.J. Batliwalla (India)	P.S.N. Prasad (India)
	S. Jagannathan (India)
Matthias Berger (Germany, Fed. Rep. of)	Eckard Pieske (Germany, Fed. Rep. of)
Dominique Berthet (France)	Jacques Henri Wahl (France)
Tunç Bilget (Turkey)	Jacques de Groote (Belgium)
Angel R. Caram (Argentina)	Roberto Gavaldá (Argentina)
David C. Chessell (Australia)	R.J. Whitelaw (Australia)
Ian M. Cobbold (United Kingdom)	Anthony K. Rawlinson (United Kingdom)
	William S. Ryrie (United Kingdom)
James K.E. Cole (Sierra Leone)	Horace R. Monday, Jr. (The Gambia)
J.A. Crosby (Peru)	Alexandre Kafka (Brazil)
Miss Anne Doizé (Belgium)	Jacques de Groote (Belgium)
M.G. Fiator (Benin)	Antoine W. Yaméogo (Upper Volta)
Bernd Goos (Germany, Fed. Rep. of)	Eckard Pieske (Germany, Fed. Rep. of)
Guillermo Heyden Q. (Costa Rica)	Francisco Suárez (Mexico)
Fouad K. Hussein (Egypt)	Nazih Ahmed Deif (Egypt)
Reza Khonsary (Iran)	Jahangir Amuzegar (Iran)
Thomas Leddy (United States)	Sam Y. Cross (United States)
Ernest Leung (Philippines)	R. J. Whitelaw (Australia)
John Lintjer (Netherlands)	Pieter Lieftinck (Netherlands)
Abdul Malek (Malaysia)	Byanti Kharmawan (Indonesia)
Alan G. Morris (Australia)	R.J. Whitelaw (Australia)
Alan B. Nymark (Canada)	Bernard J. Drabble (Canada)
S.K. Panya (Lao People's Dem. Rep.)	Byanti Kharmawan (Indonesia)
Markku Pietinen (Finland)	Per Åsbrink (Sweden)
Carlo Polpettini (Italy)	Francesco Palamenghi-Crispi (Italy)
Zvi Porath (Israel)	Pieter Lieftinck (Netherlands)
Fabrizio Saccomanni (Italy)	Francesco Palamenghi-Crispi (Italy)
Emilio Sacerdoti (Italy)	Francesco Palamenghi-Crispi (Italy)
Suresh B. Satyal (Nepal)	Byanti Kharmawan (Indonesia)
Miss Deborah Sullivan (United States)	Sam Y. Cross (United States)
Timothy P. Sweeney (United Kingdom)	Anthony K. Rawlinson (United Kingdom)
Sharad P. Upasani (India)	S. Jagannathan (India)
Jean R. Vallet (France)	Jacques Henri Wahl (France)
Jan M.G. Vanormelingen (Belgium)	Jacques de Groote (Belgium)
Luis Felipe Vílches (Mexico)	Francisco Suárez (Mexico)
Mohamed A. Wasfy (Egypt)	Nazih Ahmed Deif (Egypt)
A.G. Zoccali (Argentina)	Roberto Gavaldá (Argentina)

Appendix VI
Administrative Budget

Letter of Transmittal

August 6, 1976

Dear Mr. Chairman:

The administrative budget of the Fund approved by the Executive Board for the Fiscal Year ending April 30, 1977 is presented herewith, in accordance with Section 20 of the By-Laws. The presentation also shows actual expenses for the past two fiscal years.

I should like to point out that it is of course impossible to predict whether the amounts budgeted will, in fact, meet the requirements of the Fund's program. The amounts shown are estimates of requirements on the basis of the expected level of activities. Should contingencies arise or present plans change materially, the management would recommend appropriate amendments to the Executive Board.

Yours sincerely,
/s/
H. JOHANNES WITTEVEEN
Chairman of the Executive Board

Chairman of the Board of Governors
International Monetary Fund

Administrative Budget as Approved by the Executive Board for the Fiscal Year Ending April 30, 1977 Compared with Actual Expenses for the Fiscal Years Ended April 30, 1975 and 1976

(Values expressed in special drawing rights)[1]

Category of Expense	Fiscal Year Ending Apr. 30, 1977	Fiscal Year Ended Apr. 30, 1976		Fiscal Year Ended Apr. 30, 1975
	Budget	Revised Budget	Actual Expenses	Actual Expenses
I. Board of Governors	2,185,628	1,421,019	1,420,496	1,478,518
II. Executive Directors				
Salaries	2,720,955	2,579,327	2,541,641	2,223,841
Other compensations and benefits	848,180	724,191	692,754	627,871
Travel	986,357	782,429	723,202	699,283
Total	4,555,492	4,085,947	3,957,597	3,550,995
III. Staff				
Salaries	25,749,566	22,863,277	22,743,022	19,337,655
Other compensations and benefits	11,381,778	9,763,083	9,757,960	7,750,839
Travel	5,787,786	5,121,192	4,883,306	4,329,123
Total	42,919,130	37,747,552	37,384,288	31,417,617
IV. Special Services to Member Countries	4,888,333	4,150,686	4,002,199	3,501,050
V. Other Administrative Expenses				
Communications	1,746,764	1,610,467	1,523,504	1,283,398
Office occupancy expenses	1,998,785	1,778,783	1,698,895	1,422,229
Books and printing	1,220,128	1,060,073	955,409	855,912
Supplies and equipment	1,168,855	1,055,521	988,880	793,420
Data processing services	1,270,532	1,029,761	1,029,479	864,754
Miscellaneous	1,186,236	1,137,836	1,104,711	802,619
Total	8,591,300	7,672,441	7,300,878	6,022,332
Total[2]	63,139,883	55,077,645	54,065,458	45,970,512

[1] The administrative budget is expressed in terms of U.S. dollars and converted to SDR equivalents.

[2] Net administrative expenses for the fiscal year ended April 30, 1976 totaled SDR 52,465,169 after deduction of SDR 1,600,289 reimbursed to the General Account by assessments levied on the net cumulative allocations of participants in the Special Drawing Account. The comparable figures for the fiscal year ended April 30, 1975 were SDR 44,770,761 and SDR 1,199,751, respectively.

Appendix VII

Comparative Statement of Income and Expenses

(Values expressed in special drawing rights)

	Fiscal Year Ended		
	Apr. 30, 1974	Apr. 30, 1975	Apr. 30, 1976
OPERATIONAL INCOME			
Operational charges			
Received in gold	10,000	—	—
Received in special drawing rights	2,341,284	20,666,782	26,494,703
Received in members' currencies	102,622	357,981	73,700
Total	2,453,906	21,024,763	26,568,403
Charges on balances in excess of quotas			
Received in gold	366,042	—	—
Received in special drawing rights	26,055,223	122,426,915	406,919,663
Received in members' currencies	1,813,534	1,871,916	1,100,946
Amounts receivable	—	96,594	479,615
Total	28,234,799	124,395,425	408,500,224
Interest on holdings of special drawing rights	7,773,651	21,123,821	20,838,104
Total Operational Income	38,462,356	166,544,009	455,906,731
Deduct: Operational expenses			
Remuneration			
Paid in gold	315,071	—	—
Paid in special drawing rights	6,394,055	10,317,068	24,108,110
Paid in members' currencies	20,520,305	52,055,045	79,243,105
Amounts payable	—	—	730,723
Total	27,229,431	62,372,113	104,081,938
Interest on indebtedness			
Paid in special drawing rights	—	1,200,167	7,043,152
Paid in members' currencies	—	68,028,115	296,382,331
Total	—	69,228,282	303,425,483
Total Operational Expenses	27,229,431	131,600,395	407,507,421
NET OPERATIONAL INCOME	11,232,925	34,943,614	48,399,310
EXPENSES [1]			
Administrative budget expenses	42,488,355 [2]	44,770,761 [2]	52,465,169 [2]
Fixed property expenses	5,862,331	(290,599)	69,923
Net valuation adjustment loss (gain)	92,493	119,893	(266,938)
TOTAL EXPENSES [1]	48,443,179	44,600,055	52,268,154
EXCESS OF EXPENSES OVER INCOME BEFORE DEDUCTION OF EXTRAORDINARY ITEM	37,210,254	9,656,441	3,868,844
Deduct: Proceeds from the sale of property	—	—	934,418
EXCESS OF EXPENSES OVER INCOME	37,210,254	9,656,441	2,934,426

[1] Excludes operational expenses which have been deducted from operational income.

[2] After deduction of SDR 1,000,417 for fiscal year 1974, SDR 1,199,751 for fiscal year 1975, and SDR 1,600,289 for fiscal year 1976 reimbursed to the General Account by assessments levied on the net cumulative allocations of participants in the Special Drawing Account.

Appendix VIII

Financial Statements of the General Account, Special Drawing Account, Subsidy Account, and Staff Retirement Fund

Letter of Transmittal

August 6, 1976

Dear Mr. Chairman:

In accordance with Section 20(b) of the By-Laws of the Fund, I have the honor to submit for the consideration of the Board of Governors the audited financial statements of the General Account, the Special Drawing Account, the Subsidy Account, and the Staff Retirement Fund for the year ended April 30, 1976, together with the reports of the External Audit Committee thereon.

In conformity with the By-Laws, the audit of the Fund has been performed by an External Audit Committee consisting of auditors nominated by three member countries. At the Fund's request, Ecuador, Indonesia, and the United Kingdom nominated auditors to serve on this Committee. They respectively nominated Mr. Fausto Muñoz, Assistant Manager, Monetary Affairs, Technical Department, Central Bank of Ecuador; Mr. Sumantri Sumodirono, Director for the Supervision of Treasury Agencies, Department of Finance, Indonesia; and Mr. J.A. Collens, Deputy Director of Audit, Exchequer and Audit Department, United Kingdom. The auditors thus nominated were confirmed by the Executive Directors.

It will be noted that, in the year under review for the General Account, operational income amounted to SDR 455,906,731, and operational expenses amounted to SDR 407,507,421 resulting in net operational income of SDR 48,399,310. Administrative budget and fixed property expenses, reduced by a net valuation gain, amounted to SDR 52,268,154 before the deduction of SDR 934,418 realized from the sale of property which resulted in an excess of expenses over income of SDR 2,934,426 for the fiscal year. Pursuant to Executive Board Decision No. 708-(57/57), adopted November 27, 1957, this excess of expenses over income has been charged against the Special Reserve.

The report of the External Audit Committee is being submitted separately to the Board of Governors.

Yours sincerely,
/s/
H. JOHANNES WITTEVEEN
Chairman of the Executive Board

Chairman of the Board of Governors
International Monetary Fund

General Account
Report of the External Audit Committee

Washington, D.C.
July 7, 1976

Authority for the Audit

The audit for the year ended April 30, 1976, was carried out pursuant to Section 20(b) of the By-Laws of the International Monetary Fund.

Scope of the Audit

We have conducted the audit in accordance with generally accepted auditing standards and in compliance with the requirements of Section 20(b) of the By-Laws that it should be comprehensive with respect to examination of the records of the Fund; should extend, insofar as practicable, to the ascertainment that operations and transactions conducted through the General Account were supported by the necessary authority; and should determine that there was adequate and faithful accounting for the assets and liabilities of the Fund. Our examination included a review of the adequacy of the system of accounting and internal control and such tests as we considered necessary in the circumstances, having regard to the extent and results of the tests which we observed to have been carried out by the Internal Auditor.

Scope of the Accounts

Exhibits A through D represent the accounts which Section 20(b) of the By-Laws requires to be prepared and audited. They include corresponding figures for the year ended April 30, 1975, for the purposes of comparison. Schedules 1 through 5 submitted with our report to the Board of Governors contain further details of items in the accounts which the Audit Committee consider may be of interest to the Board.

Audit Opinion

In our opinion, the financial statements (Exhibits A through D) present fairly, in terms of special drawing rights, the financial position of the General Account of the International Monetary Fund as at April 30, 1976, and the results of its operations and transactions for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

External Audit Committee:
/s/ Fausto Muñoz, Chairman (Ecuador)
/s/ Sumantri Sumodirono (Indonesia)
/s/ J.A. Collens (United Kingdom)

Exhibit A

INTERNATIONAL MONETARY FUND

GENERAL ACCOUNT
BALANCE SHEET
as at April 30, 1976

Amounts expressed in special drawing rights

(Note 1)

		1976	1975
ASSETS			
GOLD WITH DEPOSITORIES (Note 2)		5,369,539,548	5,369,539,548
SPECIAL DRAWING RIGHTS		460,846,614	509,720,987
CURRENCIES AND SECURITIES (Note 3)			
With depositories			
Currencies	11,796,561,246		9,399,314,737
Securities	16,288,819,875		15,256,064,848
	28,085,381,121		24,655,379,585
Add: Net valuation adjustment receivable	2,491,464,005		1,856,215,779
		30,576,845,126	26,511,595,364
SUBSCRIPTIONS TO CAPITAL—RECEIVABLE (Balances of initial quotas—not due)		46,694,339	48,334,339
CHARGES RECEIVABLE FROM MEMBERS		140,470,388	58,544,925
OTHER ASSETS (Notes 4 and 7)		4,019,249	3,234,292
TOTAL ASSETS		36,598,415,264	32,500,969,455
CAPITAL, RESERVES, AND LIABILITIES			
CAPITAL			
Subscriptions of Members		29,211,400,000	29,189,400,000
RESERVES (Exhibit C and Note 5)		704,675,409	707,609,835
INDEBTEDNESS			
Oil facility (Note 6)		6,465,147,635	2,499,251,000
REMUNERATION PAYABLE TO MEMBERS		104,081,938	62,372,113
INTEREST PAYABLE ON BORROWINGS		107,807,354	38,785,770
OTHER LIABILITIES (Note 7)		5,302,928	3,550,737
TOTAL CAPITAL, RESERVES, AND LIABILITIES		36,598,415,264	32,500,969,455

The notes in Exhibit D are an integral part of the financial statements.

/s/ R. J. FAMILTON
Acting Treasurer

/s/ H. JOHANNES WITTEVEEN
Managing Director

Exhibit B

INTERNATIONAL MONETARY FUND

GENERAL ACCOUNT
STATEMENT OF INCOME AND EXPENSES
for the year ended April 30, 1976

Amounts expressed in special drawing rights

(Note 1)

	1976			1975
OPERATIONAL INCOME:				
Operational charges		26,568,403		21,024,763
Charges on balances in excess of quotas		408,500,224		124,395,425
Interest on holdings of special drawing rights		20,838,104		21,123,821
Total operational income			455,906,731	166,544,009
Deduct operational expenses				
Remuneration		104,081,938		62,372,113
Interest on indebtedness		303,425,483		69,228,282
Total operational expenses			407,507,421	131,600,395
NET OPERATIONAL INCOME			48,399,310	34,943,614
EXPENSES:				
Administrative budget expenses:				
Board of Governors		1,420,496		1,478,518
Executive Directors:				
Salaries	2,541,641			2,223,841
Other compensations and benefits (Note 7)	692,754			627,871
Travel	723,202			699,283
Total Executive Directors		3,957,597		3,550,995
Staff:				
Salaries	22,743,022			19,337,655
Other compensations and benefits (Note 7)	9,757,960			7,750,839
Travel	4,883,306			4,329,123
Total staff		37,384,288		31,417,617
Special services to member countries		4,002,199		3,501,050
Other:				
Communications	1,523,504			1,283,398
Office occupancy expenses	1,698,895			1,422,229
Books and printing	955,409			855,912
Supplies and equipment (Note 4)	988,880			793,420
Data processing services	1,029,479			864,754
Miscellaneous	1,104,711			802,619
Total other		7,300,878		6,022,332
Total administrative budget expenses		54,065,458		45,970,512
Deduct: Assessments levied on participants for estimated expenses of operating the Special Drawing Account		1,600,289		1,199,751
Net administrative budget expenses		52,465,169		44,770,761
Fixed property expenses (Note 4)		69,923		(290,599)
Net valuation adjustment (gain) loss on administrative balances not subject to maintenance of value		(266,938)		119,893
TOTAL EXPENSES		52,268,154		44,600,055
Deduct realized gain from the sale of property		934,418		—
NET EXPENSES			51,333,736	44,600,055
EXCESS OF EXPENSES OVER INCOME (Exhibit C)			2,934,426	9,656,441

The notes in Exhibit D are an integral part of the financial statements.

Exhibit C

INTERNATIONAL MONETARY FUND

GENERAL ACCOUNT
STATEMENT OF RESERVES
as at April 30, 1976

Amounts expressed in special drawing rights

(Note 1)

	1976	1975
SPECIAL RESERVE (Note 5)		
Balance—Beginning of the fiscal year	342,030,132	351,686,573
Deduct excess of expenses over income (Exhibit B)	2,934,426	9,656,441
Balance—End of the fiscal year	339,095,706	342,030,132
GENERAL RESERVE		
Balance	365,579,703	365,579,703
TOTAL RESERVES (Exhibit A)	704,675,409	707,609,835

The notes in Exhibit D are an integral part of the financial statements.

Exhibit D

INTERNATIONAL MONETARY FUND

GENERAL ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
April 30, 1976

Note 1—Unit of Account

The accounts of the General Account are expressed in terms of the special drawing right (SDR), the currency value of which is determined by a standard basket of the currencies of sixteen members.

Note 2—Gold with Depositories

Gold held by the General Account is valued on the basis that one unit of special drawing rights is equivalent to 0.888671 gram of fine gold. The accounts do not include gold held under earmark for members which was equivalent to SDR 333,104 at both April 30, 1976 and April 30, 1975.

Note 3—Currencies and Securities with Depositories

Members' currencies are converted into equivalent amounts of SDRs on the basis of representative rates of exchange determined in accordance with decisions of the Board of Executive Directors.

The securities comprise nonnegotiable and noninterest-bearing securities, payable to the Fund on demand. Each member has the option to substitute securities for that amount of the member's currency held by the Fund which is in excess of ¼ of 1 per cent of the member's quota.

In order to maintain the value of the Fund's currency holdings, a holding is revalued whenever the member's currency is used by the Fund in a transaction with another member, or for such other purposes as the Fund may decide. All currency holdings are revalued as at April 30 each year. An account receivable or an account payable is established for the amount of currency payable by or to a member, the balance of which is included in the Fund's currency holdings. At April 30, 1976, amounts receivable amounted to SDR 3,094,399,148, and amounts payable to SDR 602,935,143.

As at April 30, 1976, total outstanding purchases of members amounted to SDR 12,071 million, of which SDR 2,312 million represented purchases in the gold tranche not subject to Fund charges and SDR 6,465 million represented purchases under the oil facility. This latter amount was part of SDR 9,759 million of currency holdings in excess of members' quotas which were subject to Fund charges. Total creditor positions of members on which the Fund pays remuneration amounted to SDR 3,741 million.

During the year ended April 30, 1976, members' purchases amounted to SDR 6,591 million, of which SDR 3,966 million were under the oil facility. Over the same period, repurchases by members totaled SDR 960 million, of which SDR 0.34 million related to the oil facility.

Note 4—Other Assets

In accordance with Executive Board Decision No. A-700 (57/43), the Fund charges as an expense of each accounting period the total costs incurred for fixed property, furniture, and equipment (including automotive equipment). As at April 30, 1976, the net balance of the Fund's property accounts, at cost, which had been charged to expenses, amounted to SDR 62,813,188 (1975—SDR 63,716,295).

Note 5—Special Reserve

Income from investments in U.S. Government securities was placed to the Special Reserve from November 1, 1957 until February 15, 1972, when the investment program was terminated. The Articles of Agreement provide that any administrative deficit for any fiscal year must be written off first against this reserve. Transfers may be made from this reserve to the General Reserve.

Note 6—Indebtedness–Oil Facility

The Fund has entered into borrowing agreements with various members and Switzerland, or institutions within their territories, under which these lenders agreed to provide the Fund with specified currencies to finance purchases of currencies from the Fund by other members under the oil facility. The total amount available to the Fund under these agreements amounted to SDR 6,903 million, all but SDR 437 million of which was called by the Fund prior to April 30, 1976. The outstanding borrowings carry interest rates of 7 per cent for amounts called under the 1974 borrowing agreements and 7¼ per cent for amounts called under the 1975 borrowing agreements. The calls are repayable over a period of seven years.

Note 7—Staff Retirement Plan

The assets and liabilities of the Staff Retirement Fund are not included in the financial statements of the General Account. The contributions to the Staff Retirement Fund by the employer were equivalent to SDR 4,620,270 for the year ended April 30, 1976 (1975—SDR 3,784,964). The most recent valuation of the Plan by the actuary engaged by the Pension Committee was made as at April 30, 1975. The actuary's valuation of the Plan showed an experience loss equivalent to SDR 4,555,697 based on the present rates of contribution. Changes were not made in the contribution arrangements during the year ended April 30, 1976, to provide for this experience loss or for additional liabilities in excess of the present rates of contribution. This matter is under consideration by the Pension Committee.

Other Note

In accordance with policies governing the use of Fund resources, members incur certain obligations to the General Account. One member has not fulfilled financial obligations to repurchase a part of the Fund's holdings of the member's currency, to pay Fund charges on currency balances in excess of the member's quota, and to submit information on monetary reserves. Normal means of communication are not available between the Fund and the member. The Fund has this situation under continuing review.

Special Drawing Account
Report of the External Audit Committee

Washington, D.C.
July 7, 1976

Authority for the Audit

The audit for the year ended April 30, 1976, was carried out pursuant to Section 20(b) of the By-Laws of the International Monetary Fund.

Scope of the Audit

We have conducted the audit in accordance with generally accepted auditing standards and in compliance with the requirements of Section 20(b) of the By-Laws that it should be comprehensive with respect to examination of financial records; should extend, insofar as practicable, to the ascertainment that operations and transactions conducted through the Special Drawing Account were supported by the necessary authority; and should determine that there was adequate and faithful accounting for special drawing rights. Our examination included a review of the adequacy of the system of accounting and internal control and such tests as we considered necessary in the circumstances, having regard to the extent and results of the tests which we observed to have been carried out by the Internal Auditor.

Scope of the Accounts

Exhibits A and B represent the statements which Section 20(b) of the By-Laws requires to be prepared and audited in respect of the Special Drawing Account. Exhibit A includes corresponding figures for the year ended April 30, 1975, for the purposes of comparison. Schedules 1 through 3 submitted with our report to the Board of Governors contain further details from the accounting records for special drawing rights which the Audit Committee consider may be of interest to the Board.

Audit Opinion

In our opinion, the statements (Exhibit A and B) of the Special Drawing Account of the International Monetary Fund present fairly the allocation and holdings of special drawing rights as at April 30, 1976, and properly reflect the operations and transactions in this account for the year then ended.

External Audit Committee:

/s/ Fausto Muñoz, Chairman (Ecuador)
/s/ Sumantri Sumodirono (Indonesia)
/s/ J.A. Collens (United Kingdom)

Exhibit A

INTERNATIONAL MONETARY FUND

SPECIAL DRAWING ACCOUNT
BALANCE SHEET
as at April 30, 1976

Amounts expressed in special drawing rights

	1976	1975
ALLOCATIONS		
Net cumulative allocations of special drawing rights to participants (Note 1)	9,314,835,400	9,314,835,400
HOLDINGS		
Holdings of special drawing rights (Note 2 and Exhibit B)		
Participants		
Holdings above allocations:		
Allocations	2,449,904,000	2,691,260,000
Received (net)	2,070,327,850	1,846,944,238
Total holdings above allocations	4,520,231,850	4,538,204,238
Holdings below allocations:		
Allocations	6,864,931,400	6,623,575,400
Used (net)	2,531,174,464	2,356,665,225
Total holdings below allocations	4,333,756,936	4,266,910,175
Total holdings by participants	8,853,988,786	8,805,114,413
General Account Holdings	460,846,614	509,720,987
	9,314,835,400	9,314,835,400

NOTES:

1. Under Articles XXX and XXXI of the Fund Agreement, which cover termination of participation in and the liquidation of the Special Drawing Account, respectively, a participant has an obligation to pay to the Fund an amount equal to its net cumulative allocation of special drawing rights and any other amounts that may be due and payable because of participation in the Special Drawing Account. The Fund also has an obligation to redeem special drawing rights in accordance with these Articles.

2. Special drawing rights allocated by the Fund do not constitute claims by holders against the Fund to provide currency, except as prescribed by the provisions of Articles XXX and XXXI relating to the termination of participation and liquidation. Participants may use their special drawing rights to obtain currency in accordance with the provisions of Article XXV, and under Section 5 of this Article they are entitled to request the Fund's assistance in the form of designation of participants to provide currency in exchange for special drawing rights. The obligation of a participant to provide currency for special drawing rights does not extend beyond the point at which its holdings of special drawing rights in excess of its net cumulative allocation are equal to twice its net cumulative allocation or such higher limit as may be agreed between a participant and the Fund. A participant may, however, provide currency in excess of the obligatory limit or any agreed higher limit.

Other Note

Under the provisions of the Articles of Agreement on the Special Drawing Account, participants that have received allocations incur certain obligations in regard to the reconstitution of their holdings of SDRs: participants are required to maintain average daily holdings over the most recent of the five-year periods ending in calendar quarters, of not less than 30 per cent of the average of their daily net cumulative allocations over the same periods. During the year ended April 30, 1976 a participant did not fulfill the reconstitution requirement for the five-year periods ended December 31, 1975 and March 31, 1976. The normal means of communication between the Fund and the participant are not available. The Fund has the participant's situation under review.

/s/ R. J. FAMILTON
Acting Treasurer

/s/ H. JOHANNES WITTEVEEN
Managing Director

Exhibit B

INTERNATIONAL MONETARY FUND

SPECIAL DRAWING ACCOUNT
STATEMENT OF SOURCE AND USE OF SPECIAL DRAWING RIGHTS
for the year ended April 30, 1976

Amounts expressed in special drawing rights

	Participants	General Account	Total
Total Holdings as of April 30, 1975	8,805,114,413	509,720,987	9,314,835,400
Source of Special Drawing Rights Received			
Transactions with Designation			
(Article XXV, Sections 2(*a*) and 3(*a*))	291,670,000		291,670,000
Transactions without Designation			
(Article XXV, Section 2(*b*)(i))	176,647,624		176,647,624
Net Interest	73,017,715	20,838,104	93,855,819
Transfers Between Participants and the General Account			
Purchases	442,812,700		442,812,700
Repurchases	45,884	440,060,170	440,106,054
Charges	755,745	354,883,294	355,639,039
Reimbursement of Special Drawing Account			
Expenses (Assessment)		1,600,289	1,600,289
Remuneration	10,317,068		10,317,068
Reconstitution	404,172,615		404,172,615
Interest on Fund Borrowings	8,152,218		8,152,218
	1,407,591,569	817,381,857	2,224,973,426
Use of Special Drawing Rights			
Transactions with Designation			
(Article XXV, Sections 2(*a*) and 3(*a*))	291,670,000		291,670,000
Transactions without Designation			
(Article XXV, Section 2(*b*)(i))	176,647,624		176,647,624
Net Charges	93,855,819		93,855,819
Transfers Between Participants and the General Account			
Purchases		442,812,700	442,812,700
Repurchases	440,060,170	45,884	440,106,054
Charges	354,883,294	755,745	355,639,039
Reimbursement of Special Drawing Account			
Expenses (Assessment)	1,600,289		1,600,289
Remuneration		10,317,068	10,317,068
Reconstitution		404,172,615	404,172,615
Interest on Fund Borrowings		8,152,218	8,152,218
	1,358,717,196	866,256,230	2,224,973,426
Total Holdings as of April 30, 1976 (per Balance Sheet)	8,853,988,786	460,846,614	9,314,835,400

Subsidy Account
Report of the External Audit Committee

Washington, D.C.
July 7, 1976

Authority for the Audit

The audit for the year ended April 30, 1976, was carried out pursuant to Executive Board Decision No. 4773-(75/136) of August 1, 1975, and Section 20(b) of the By-Laws of the International Monetary Fund.

Scope of the Audit

We have conducted the audit in accordance with generally accepted auditing standards and in compliance with the general requirements of Section 20(b) of the By-Laws that it should be comprehensive with respect to the examination of records; should extend, insofar as practicable, to the ascertainment that operations and transactions were supported by the necessary authority; and should determine that there was adequate and faithful accounting for the relevant assets and liabilities. Our examination included a review of the adequacy of the system of accounting and internal control and such tests as we considered necessary in the circumstances, having regard to the extent and results of the tests which we observed to have been carried out by the Internal Auditor.

Scope of the Accounts

Exhibit A represents the account required to be audited under Executive Board Decision No. 4773-(75/136). Schedules 1 and 2 submitted with our report to the Board of Governors contain further details from the accounting records which the Audit Committee consider may be of interest to the Board.

Audit Opinion

In our opinion, the financial statement (Exhibit A) presents fairly, in terms of special drawing rights, the financial position of the Subsidy Account administered by the International Monetary Fund as at April 30, 1976, and properly reflects the transactions in this Account for the period August 1, 1975, through April 30, 1976.

External Audit Committee:
/s/ Fausto Muñoz, Chairman (Ecuador)
/s/ Sumantri Sumodirono (Indonesia)
/s/ J.A. Collens (United Kingdom)

Exhibit A

INTERNATIONAL MONETARY FUND

SUBSIDY ACCOUNT
(Note 1)
STATEMENT OF FINANCIAL POSITION
as at April 30, 1976

Amounts expressed in special drawing rights

(Note 2)

Contributions received	36,035,190
Earned discount on United States Treasury bills	322,083
Exchange valuation gain	329,112
Balance	36,686,385
Balance represented by:	
Currency on deposit	4,962,614
Investments in United States Government obligations, at cost	31,262,398
Accrued interest receivable, of which SDR 145,926 represents accrued interest purchased on United States Treasury notes	461,373
Total	36,686,385

NOTES:
1. The Subsidy Account was established under Executive Board Decision No. 4773-(75/136), adopted August 1, 1975, to assist the most seriously affected (MSA) members to meet the interest cost of using resources made available through the Fund's oil facility for 1975.

2. The accounts of the Subsidy Account are expressed in terms of the special drawing right (SDR), the currency value of which is determined by a standard basket of the currencies of sixteen members.

/s/ R. J. FAMILTON
Acting Treasurer

/s/ H. JOHANNES WITTEVEEN
Managing Director

STAFF RETIREMENT FUND
REPORT OF THE EXTERNAL AUDIT COMMITTEE

Washington, D.C.
July 7, 1976

AUTHORITY FOR THE AUDIT

The audit of the Staff Retirement Fund of the International Monetary Fund for the year ended April 30, 1976, was carried out pursuant to and in accordance with the requirements of Section 20(b) of the By-Laws of the International Monetary Fund. All assets and income of the Staff Retirement Fund, in accordance with Article 9, Section 1, of the Staff Retirement Plan, are the property of the International Monetary Fund and are held and administered by it separately from its other property and assets.

SCOPE OF THE AUDIT

We have conducted the audit in accordance with generally accepted auditing standards and in compliance with the general requirements of Section 20(b) of the By-Laws that it should be comprehensive with respect to the examination of records; should extend, insofar as practicable, to the ascertainment that operations and transactions were supported by the necessary authority; and should determine that there was adequate and faithful accounting for the relevant assets and liabilities. Our examination included a review of the adequacy of the system of accounting and internal control and such tests as we considered necessary in the circumstances, having regard to the extent and results of the tests which we observed to have been carried out by the Internal Auditor. In the course of our audit, reference was made to the Articles of the Staff Retirement Plan and to the decisions of the Pension, Administration, and Investment Committees created under the Plan.

SCOPE OF THE ACCOUNTS

Exhibits A through C represent the accounts required to be prepared and audited. They include corresponding figures for the year ended April 30, 1975, for the purposes of comparison. Schedules 1 through 8 to Exhibit A and Schedules 1 and 2 to Exhibit B submitted with our report to the Board of Governors contain further details of items in the accounts which the Audit Committee consider may be of interest to the Board.

AUDIT OPINION

In our opinion, the financial statements (Exhibits A through C) present fairly, in terms of U.S. dollars, the financial position of the Staff Retirement Fund of the International Monetary Fund as at April 30, 1976, and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

EXTERNAL AUDIT COMMITTEE:
/s/ Fausto Muñoz, Chairman (Ecuador)
/s/ Sumantri Sumodirono (Indonesia)
/s/ J.A. Collens (United Kingdom)

Exhibit A

INTERNATIONAL MONETARY FUND

STAFF RETIREMENT FUND
(Notes 1 and 2)
BALANCE SHEET
as at April 30, 1976

Amounts expressed in U.S. dollars

		1976		1975
ASSETS				
CASH AT BANKS			78,174	18,150
INVESTMENTS (Note 3)				
Bonds				
Amortized cost (*market value $21,303,299 in 1976, $16,230,775 in 1975*)				
Notes insured by U.S. Government	5,615,886			3,205,680
International development banks	5,768,549			8,334,152
Corporate	10,406,672			6,573,332
Commercial paper	119,000			1,114,000
Certificates of deposit	1,405,000			—
Total amortized cost	23,315,107			19,227,164
Add: Net realized losses	2,226,348			2,224,627
Funds originally invested	25,541,455			21,451,791
Deduct: Amortized net realized losses	889,872			667,219
Adjusted book value of bonds		24,651,583		20,784,572
Stocks				
Cost (*market value $47,022,017 in 1976, $38,491,525 in 1975*)	45,781,047			42,432,329
Deduct: Net realized gains	1,820,362			2,775,894
Funds originally invested	43,960,685			39,656,435
Add: Recognized appreciation	373,000			1,613,000
Adjusted book value of stocks		44,333,685		41,269,435
Total investments at adjusted book value			68,985,268	62,054,007
ACCRUED INTEREST ON BONDS, ACCRUED CONTRIBUTIONS RECEIVABLE, AND MISCELLANEOUS ACCOUNTS RECEIVABLE			582,515	594,926
TOTAL ASSETS			69,645,957	62,667,083
LIABILITIES AND RESERVES				
PARTICIPANTS' ACCOUNT			16,017,191	13,330,681
ACCUMULATION ACCOUNT			32,498,404	31,454,003
RETIREMENT RESERVE ACCOUNT			21,075,410	17,851,928
ACCOUNTS PAYABLE			54,952	30,471
TOTAL LIABILITIES AND RESERVES			69,645,957	62,667,083

The notes in Exhibit C are an integral part of the financial statements.

/s/ R. J. FAMILTON
Acting Treasurer

/s/ H. JOHANNES WITTEVEEN
Managing Director

Exhibit B

INTERNATIONAL MONETARY FUND

STAFF RETIREMENT FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION
for the year ended April 30, 1976

Amounts expressed in U.S. dollars

	1976	1975
Total Assets—beginning of the year	62,667,083	55,908,524
Less: Accounts Payable	30,471	381
Net Assets	62,636,612	55,908,143
Contributions:		
Participants	2,761,938	2,320,888
International Monetary Fund	5,497,777	4,617,456
Participants restored to service	13,332	9,946
Transfers (net) from retirement plans of other international organizations	9,773	147,103
Total Contributions	8,282,820	7,095,393
Investment Income:		
Interest and dividends	2,651,188	2,428,224
Amortization of accumulated discounts	50,290	47,756
Amortization of net realized losses on bonds	(222,653)	(222,461)
Recognized market depreciation on equity investments	(1,240,000)	(475,000)
Net Investment Income	1,238,825	1,778,519
Payments:		
Pensions and other benefits	(1,978,569)	(1,428,939)
Contributions, benefits, and interest paid to participants upon withdrawal	(393,000)	(643,130)
Commutation benefits	(105,800)	(71,385)
Death benefits	(89,883)	(1,989)
Total Payments	(2,567,252)	(2,145,443)
Balances—end of the year		
Net Assets	69,591,005	62,636,612
Add: Accounts Payable	54,952	30,471
Total Assets—per Balance Sheet	69,645,957	62,667,083

The notes in Exhibit C are an integral part of the financial statements.

Exhibit C

INTERNATIONAL MONETARY FUND

STAFF RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
April 30, 1976

Note 1—The Plan

The International Monetary Fund has a retirement plan for its staff. In accordance with the provisions of the Staff Retirement Plan, all assets and income of the Staff Retirement Fund are the property of the International Monetary Fund and are held and administered by it separately from all its other property and assets and are to be used solely for the benefit of participants and retired participants or their beneficiaries. The International Monetary Fund, as employer, meets the administrative costs of the Plan and is to contribute the part of the cost and expenses of the Plan not provided by the contributions of participants, plus any additional amounts required to pay costs and expenses of the Plan not otherwise covered. The combined rate of contribution remained unchanged at 19.5 per cent of participants' gross salaries, comprising 13 per cent from the employer and 6.5 per cent from participants.

Note 2—Actuarial Valuation

The most recent valuation of the Plan by the actuary engaged by the Pension Committee was made as at April 30, 1975. The actuary's valuation showed an experience loss, based on the present rates of contribution, of $5,242,238. This matter is under consideration by the Pension Committee of the Staff Retirement Plan.

Note 3—Valuation Basis of Investments

All investments are recorded in the accounts at cost or amortized cost. The basis of valuation of the investment portfolio is intended to focus on the prospective long-run average yield of the existing portfolio. Therefore, not only interest and dividends, but also realized gains and losses on bonds and the effect of unrealized changes in the value of equity investments, are taken into account. The realized net loss (or gain) on bonds is amortized through the Accumulation Account over a ten-year period; unrealized market appreciation or depreciation on bonds is ignored. The amount of appreciation (or depreciation) on stocks to be recognized through the Accumulation Account each year is based on a ten-year moving average of the annual rates of changes in the market value of the equity portfolio. "Funds originally invested" is the cumulative amount of contributions from the employer and from the participants made available for investment plus investment income. The investment base for determining the yield on investments is the "adjusted book value" in the balance sheet.

This page intentionally left blank

INDEX

This page intentionally left blank

INDEX

An asterisk (*) denotes a table; a dagger (†) denotes a chart; fn. denotes a footnote.

ABU DHABI
  Oil facility in Fund, 54, 91*
AFGHANISTAN
  Exchange rate, 70*
  Purchases and repurchases from Fund, 82*, 83*, 89*
  SDRs, 75*, 79*, 80*
  Stand-by arrangement with Fund, 85*
ALGERIA
  Exchange rate, 70*
  SDRs, 75*, 80*
ARGENTINA
  Exchange rate, 70*
  Prices, 7
  Purchases and repurchases from Fund, 82*, 83*, 87*, 89*, 90*
  SDRs, 48, 75*, 79*, 80*
ARTICLES OF AGREEMENT
  Amendment, 39, 42, 43–46, 47, 50, 51, 55, 64
  Article VIII, members accepting obligations of, 94*
  Exchange rate system under amended Articles, 3, 24
  Policy on repurchase under amended Articles, 45
AUSTRALIA
  Contribution to Subsidy Account, 59*
  Exchange rate, 70*
  International reserves, 35*
  Prices, 6*
  Purchase from Fund, 50(fn.)
  SDRs, 48, 75*, 79*, 80*
  Super gold tranche position in Fund, 56*
AUSTRIA
  Contribution to Subsidy Account, 59*
  Exchange rate, 70*
  International reserves, 36–37
  Oil facility in Fund, 54, 91*
  SDRs, 48*, 75*, 80*
  Super gold tranche position in Fund, 56*

BAHAMAS
  Exchange rate, 70*
  Repurchases from Fund, 88*, 89*
BAHRAIN
  Exchange rate, 70*
  Super gold tranche position in Fund, 56*
BALANCE OF PAYMENTS
  Developments, 12–15
  Industrial countries, 2, 5, 8, 13–14, 15, 16, 17
  Primary producing countries, 2, 12–15, 19–20, 21, 22, 23, 37, 52
  Summary, 13*, 14*, 15*
BANGLADESH
  Exchange rate, 70*
  Purchases and repurchases from Fund, 49, 59*, 82*, 83*, 87*, 89*
  SDRs, 75*, 79*
  Stand-by arrangement with Fund, 85*
BANK FOR INTERNATIONAL SETTLEMENTS (BIS)
  Fund gold sales, 55
  Holder of SDRs, 49
BARBADOS
  Exchange rate, 70*
  Repurchases from Fund, 88*, 89*
  SDRs, 75*, 80*
BELGIUM
  Contribution to Subsidy Account, 59*
  Exchange rate, 24, 25(fn.), 27*, 70*
  International reserves, 35*
  Oil facility in Fund, 54, 91*
  SDRs, 48*, 75*, 80*
  Super gold tranche position in Fund, 56*
BENIN
  Exchange rate, 70*
  SDRs, 75*, 80*
BOARD OF GOVERNORS
  Committee on Reform of the International Monetary System and Related Issues (Committee of Twenty), 43–44
  Interim Committee on the International Monetary System (Interim Committee), 43, 44, 46, 50, 51, 53, 54, 55, 58; communiqués, 119–24
  Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (Development Committee), 43; communiqués, 125–27
  Resolutions, 42, 44, 46, 47, 53, 56–57, 64, 104, 105, 107–11
BOLIVIA
  Exchange rate, 70*
  Purchases and repurchases from Fund, 52, 82*, 88*, 89*
  SDRs, 75*, 79*, 80*
BOTSWANA
  Exchange rate, 70*
  SDRs, 75*, 80*
BRAZIL
  Coffee production, 10
  Contribution to Subsidy Account, 59*
  Exchange rate, 70*
  Purchases and repurchases from Fund, 83*
  SDRs, 48*, 75*, 79*, 80*
  Super gold tranche position in Fund, 56*
BUDGET OF FUND, 134–35
BUFFER STOCK FINANCING BY FUND, 42, 46, 52, 82*
BURMA
  Exchange rate, 70*
  Purchases and repurchases from Fund, 83*, 89*
  SDRs, 75*, 80*
  Stand-by arrangement with Fund, 85*
BURUNDI
  Exchange rate, 70*
  Purchases and repurchases from Fund, 83*, 87*
  SDRs, 75*, 80*

CAMBODIA
  Exchange rate, 70*
  Purchases from Fund, 83*
  SDRs, 75*, 80*
CAMEROON
  Exchange rate, 70*
  Purchases from Fund, 59*, 82*, 87*
  SDRs, 75*, 80*
CANADA
  Balance of payments, 2, 14*, 15, 16
  Contribution to Subsidy Account, 59*
  Exchange rate, 16, 25, 26†, 27*, 30†, 31, 33†, 70*
  Interest rates, 16, 18†
  International reserves, 35*
  Oil facility in Fund, 54, 91*
  Output, 4, 5*
  Prices, 4, 6*, 32, 33†
  SDRs, 75*, 79*, 80*
  Super gold tranche position in Fund, 56*
CAPITAL MOVEMENTS, *see* BALANCE OF PAYMENTS *and* INTERNATIONAL RESERVES
CENTRAL AFRICAN REPUBLIC
  Exchange rate, 70*
  Purchases and repurchases from Fund, 59*, 82*, 83*, 87*, 89*
  SDRs, 75*, 79*, 80*
CHAD
  Exchange rate, 70*
  Purchases and repurchases from Fund, 87*, 89*
  SDRs, 75*, 79*, 80*
CHILE
  Exchange rate, 70*
  Prices, 7
  Purchases and repurchases from Fund, 54, 82*, 83*, 87*, 89*
  SDRs, 75*, 79*, 80*
  Stand-by arrangement with Fund, 85*
CHINA, REPUBLIC OF
  Exchange rate, 70*
  Purchase from Fund, 82*
  Quota in Fund, 47
COLOMBIA
  Exchange rate, 70*
  Purchases and repurchases from Fund, 83*
  SDRs, 75*, 79*, 80*
COMMITTEE OF TWENTY
  See BOARD OF GOVERNORS
COMOROS
  Application for membership in Fund, 64
COMPENSATORY FINANCING BY FUND, 42, 43, 50, 51†, 52–53, 82*, 83*–84*
  Executive Board decision, 101–102
CONGO, PEOPLE'S REPUBLIC OF THE
  Exchange rate, 70*
  Repurchase from Fund, 89*
  SDRs, 75*, 80*
CONSULTATIONS WITH FUND MEMBERS, 61
COSTA RICA
  Exchange rate, 70*
  Purchases and repurchases from Fund, 82*, 87*, 89*
  SDRs, 75*, 79*, 80*
COUNCIL OF FUND, Proposed, 3, 46
CREDIT TRANCHES
  Executive Board decision, 103
  Temporary enlargement, 3, 42, 43, 50, 51
CYPRUS
  Exchange rate, 70*
  Purchases from Fund, 82*, 87*
  SDRs, 75*, 80*

DENMARK
  Contribution to Subsidy Account, 59*
  Exchange rate, 25(fn.), 70*
  SDRs, 75*, 80*

DEVELOPMENT COMMITTEE
See BOARD OF GOVERNORS

DOMINICAN REPUBLIC
Exchange rate, 70*
Postponement of repurchase obligation, 53
Purchases and repurchases from Fund, 82*, 83*, 88*, 89*
SDRs, 75*, 80*

ECUADOR
Exchange rate, 70*
Purchases and repurchases from Fund, 83*
SDRs, 75*, 79*, 80*
Super gold tranche position in Fund, 56*

EGYPT
Exchange rate, 70*
Purchases and repurchases from Fund, 59*, 82*, 83*, 87*, 89*
SDRs, 75*, 80*

EL SALVADOR
Exchange rate, 70*
Postponement of repurchase obligation, 53
Purchases and repurchases from Fund, 83*, 87*, 88*, 89*
SDRs, 75*, 79*, 80*

EQUATORIAL GUINEA
Exchange rate, 70*
Repurchases from Fund, 88*, 89*
SDRs, 75*, 80*

ETHIOPIA
Exchange rate, 70*

EXCHANGE RATES
Against U.S. dollar, 26†
And balance of payments adjustment, 2–3, 24–25, 27
And capital movements, 25, 31
And interest rate differentials, 28, 29†
And international reserves, 2, 25, 37, 39, 41
Arrangements under amended Articles, 3, 24–25, 32, 44–45
Dollar/snake currencies' relationship, 28
Effective rates, 2, 16, 23, 27, 28, 29, 30†, 31, 32, 33†
European common margins arrangement, 16, 24, 25(fn.), 27, 29, 31, 40, 51
Floating rates, 3, 16, 17, 24, 25, 37, 40, 41; analysis of, 27–28, 31, 32; guidelines, 25–27
Forward market, 28
Intervention, 16, 25, 27, 31, 37, 40, 41
List as of June 30, 1976, 70*–73*
Obligations of Fund members, 3, 25–26, 32, 44
Practices, 23, 24–25, 31, 32, 39
Relationship with prices, 3, 14, 31–32, 33†
Short-term movements, 2, 28–31, 32
See also individual countries

EXECUTIVE BOARD DECISIONS
Adjustment of Fund's holdings of currencies, 96
Compensatory financing of export fluctuations, 101–102
Guidelines for the management of floating exchange rates, 25–27
Increase in credit tranches, 103
Increases in quotas, 103–11
Oil facility, 54, 97–98
Rates of remuneration under Rule I-10, 49, 96–97
Remuneration and interest rate on SDRs, 118
Stabilization of prices of primary products, 103
Subsidy Account, 98–101
Trust Fund, 111–17

EXECUTIVE DIRECTORS
Changes in membership, 131–33
Committee of the Whole, 46
Election, 46
List and voting power, 128–30
Report to Board of Governors on increases in quotas, 103–11
Report to Board of Governors on proposed second amendment, 44

EXPENSES AND INCOME OF FUND, 58, 92*, 136

EXTENDED FUND FACILITY, 42, 52, 57†, 82*, 93*

FIJI
Exchange rate, 70*
Purchases and repurchases from Fund, 54(fn.), 87*, 88*, 89*
SDRs, 75*, 80*
Stand-by arrangement with Fund, 85*

FINANCIAL STATEMENTS OF FUND, 137–51

FINLAND
Contribution to Subsidy Account, 59*
Exchange rate, 70*
Purchases from Fund, 82*, 87*
SDRs, 75*, 79*, 80*
Stand-by arrangement with Fund, 85*
Super gold tranche position in Fund, 56*

FOREIGN EXCHANGE RESERVES
See INTERNATIONAL RESERVES

FRANCE
Balance of payments, 2, 14*, 15
Capital movements, 2, 15
Contribution to Subsidy Account, 59*
Creditor position in Fund, 56
Exchange rate, 2, 16, 24, 25(fn.), 26†, 27*, 28, 29, 30†, 31, 32, 33†, 70*
Interest rates, 18†
International reserves, 15–16, 35*, 36–37
Official claims in French francs, 36*, 38*
Output, 4, 5*
Prices, 4, 6*, 32, 33†
Purchases from Fund, 51, 82*, 90*
SDRs, 48, 75*, 79*, 80*
Super gold tranche position in Fund, 56*

GABON
Exchange rate, 70*
Repurchases from Fund, 89*
SDRs, 75*, 80*

GAMBIA, THE
Exchange rate, 70*
Repurchases from Fund, 88*, 89*
SDRs, 75*, 80*

GENERAL ACCOUNT TRANSACTIONS
Charges, 47, 48–49, 57–58, 92*, 93*; average annual rates on balances in excess of quota, 57†; payment in SDRs, 49
Holdings of SDRs, 36*, 74*
Interest payments, 57, 58
Purchases by members, 3, 42, 47, 49, 50–51, 52, 53–54, 74*, 79*, 82*, 83*–84*, 90*; summary of, 86*
Remuneration paid to members, 57–58, 74*
Repurchase obligations of members, 88*
Repurchases by members, 47, 48, 50, 52, 53, 74*, 83*–84*, 89*, 90*; summary of, 86*
Super gold tranche positions of members, 56*
Use of currencies, 56–57
See also SPECIAL DRAWING RIGHTS

GENERAL DEPARTMENT, Proposed, 45, 46

GENERAL RESOURCES ACCOUNT, Proposed, 45, 46

GERMANY, FEDERAL REPUBLIC OF
Balance of payments, 2, 14*, 15, 16
Contribution to Subsidy Account, 59*
Creditor position in Fund, 56
Exchange rate, 16, 25(fn.), 26†, 27, 28, 29, 30†, 32, 33†, 70*
Incomes policy, 18
Interest rates, 18†, 28, 29†
International reserves, 16, 35*, 37
Monetary policy, 17
Official claims in deutsche mark, 36*, 38*
Oil facility in Fund, 54, 91*
Output, 4, 5*
Prices, 4, 6*, 32, 33†
Purchases from Fund, 51, 82*, 90*
SDRs, 48, 75*, 80*
Super gold tranche position in Fund, 56*

GHANA
Exchange rate, 71*
Purchases and repurchases from Fund, 82*, 83*, 87*, 89*
SDRs, 75*, 80*

GOLD
Holdings: by Fund, 43, 45, 54; in official reserves, 34*, 36*, 38*
Official price, 41, 45, 54
Payments to Fund, 88*
Restitution to Fund members, 55
Role in system, 44, 45, 54
Sales by Fund, 3, 43, 45, 46, 50, 54–56, 60
Use in transactions with Fund, 54

GREECE
Exchange rate, 71*
Purchases from Fund, 82*, 87*
SDRs, 75*, 80*

GRENADA
Exchange rate, 71*
Membership in Fund, 64
Participation in Special Drawing Account, 64
Purchases and repurchases from Fund, 49, 53, 82*, 87*, 89*
SDRs, 75*, 79*
Stand-by arrangement with Fund, 85*

GROUP OF TEN, 54

GUATEMALA
Exchange rate, 71*
Purchases and repurchases from Fund, 83*
SDRs, 75*, 80*

GUINEA
Exchange rate, 71*
Purchases from Fund, 83*, 87*
SDRs, 76*, 80*

GUINEA-BISSAU
Application for membership in Fund, 64

GUYANA
Exchange rate, 71*
Purchases and repurchases from Fund, 83*, 88*, 89*
SDRs, 76*, 80*
Stand-by arrangement with Fund, 85*

HAITI
Exchange rate, 71*
Purchases and repurchases from Fund, 53, 59*, 82*, 83*, 87*, 89*
SDRs, 76*, 79*, 80*
Stand-by arrangement with Fund, 85*

HONDURAS
Exchange rate, 71*
Purchases from Fund, 87*
SDRs, 76*, 80*

ICELAND
Exchange rate, 71*
Purchases and repurchases from Fund, 82*, 83*, 87*
SDRs, 76*, 80*

INCOME AND EXPENSES OF FUND, 58, 92*, 136

INCOMES POLICY, 18

INDIA
Exchange rate, 71*
Purchases and repurchases from Fund, 53, 54, 59*, 82*, 83*, 87*, 89*
SDRs, 76*, 80*

INDONESIA
Exchange rate, 71*
Purchases from Fund, 82*, 89*
SDRs, 48, 76*, 79*, 80*

INDUSTRIAL COUNTRIES
Arrangements regarding gold, 54
Balance of payments, 2, 5, 8, 13–14, 15, 16, 17
Capacity utilization, 1, 4–5, 9
Capital movements, 2, 5, 15, 16
Demand policies, 18, 19
Economic activity and policies, 1, 2, 3–4, 5, 7–9, 17–19
Exchange rate policy and practices, 16, 17, 24–25, 27, 28–29, 30†, 31, 32, 33†
Export prices, 9, 11, 12
Holdings of SDRs, 48
Interest rates, 16, 17, 18†
International reserves, 5, 16, 34, 35*, 36–37, 38*, 39, 40, 41
Output, 4, 5, 8
Prices, 4–5, 6*, 8–9, 11, 12, 14, 17–19, 32, 33†
Proposed quotas in Fund, 47
Trade, 9, 10*, 11†, 12*, 12†
Unemployment, 1, 5, 8, 9, 17, 18
See also individual countries

INTERIM COMMITTEE
See BOARD OF GOVERNORS

INTERNATIONAL ORGANIZATIONS
Fund relations with, 62–64

INTERNATIONAL RESERVES
Adequacy, 39–42; effects of borrowing on, 40, 41, 42; effects of distribution on, 41; effects of floating exchange rates on, 40, 41; effects of gold valuation on, 41; method of assessing, 39
Composition, 36*, 37–39
Conditional liquidity, 3, 42
Distribution, 35*
Euro-currency holdings, 36*, 37, 38*
Foreign exchange, 34–35, 37†, 38*, 39
Gold, 34*, 36*, 38*, 40(fn.), 41
Industrial countries, 5, 16, 34, 35*, 36–37, 38*, 39, 40, 41
Measurement concept, 34(fn.)
Official claims, 36, 38*, 39
Official holdings, 34, 36
Primary producing countries, 1, 20, 22, 23, 34, 35*, 37, 38*, 39, 40–41, 42
Ratio to imports, 39, 40–41, 41–42
Reserve positions in Fund, 34*, 36, 37†, 38*, 39
SDRs, 34*, 36*, 37†, 38*

INVESTMENT ACCOUNT, Proposed, 46

IRAN
Contribution to Subsidy Account, 59*
Exchange rate, 71*
International reserves, 37
Oil facility in Fund, 54, 91*
SDRs, 48*, 76*, 80*

IRAQ
Exchange rate, 71*
Purchases and repurchases from Fund, 83*
SDRs, 48*, 76*, 80*

IRELAND
Exchange rate, 25(fn.), 71*
International reserves, 37
SDRs, 48*, 76*, 79*, 80*
Super gold tranche position in Fund, 56*

ISRAEL
Exchange rate, 71*
Purchases from Fund, 82*, 87*
SDRs, 76*, 79*, 80*
Stand-by arrangement with Fund, 85*

ITALY
Balance of payments, 2, 14*, 15, 16, 17
Capital movements, 2
Contribution to Subsidy Account, 59*
Exchange rate, 2, 16, 25(fn.), 26†, 27, 28, 29, 30†, 31, 32, 33†, 71*
Interest rate, 18†
International reserves, 35*, 37
Output, 4, 5*
Prices, 4, 6*, 32, 33†
Purchases from Fund, 51, 54, 82*, 87*
SDRs, 76*, 79*, 80*

IVORY COAST
Exchange rate, 71*
Purchases and repurchases from Fund, 59*, 82*, 83*, 87*, 88*
SDRs, 76*, 80*

JAMAICA
Exchange rate, 71*
Purchases and repurchases from Fund, 53, 82*, 83*, 87*, 88*, 89*
SDRs, 48*, 76*, 79*, 80*

JAPAN
Balance of payments, 14*, 15, 16
Contribution to Subsidy Account, 59*
Creditor position in Fund, 56
Exchange rate, 16, 26†, 27*, 29–31, 32, 33†, 71*
Incomes policy, 18
Interest rate, 18†
International reserves, 16, 35*, 37
Output, 4, 5*
Prices, 4, 6*, 11, 32, 33†
SDRs, 48*, 76*, 79*, 80*
Super gold tranche position in Fund, 56*

JORDAN
Exchange rate, 71*
Purchases and repurchases from Fund, 83*
SDRs, 76*, 80*

KENYA
Exchange rate, 71*
Purchases and repurchases from Fund, 52, 59*, 82*, 87*, 88*, 89*
SDRs, 76*, 79*, 80*

KOREA
Exchange rate, 71*
Purchases from Fund, 54, 82*, 87*
SDRs, 76*, 79*, 80*
Stand-by arrangement with Fund, 85*

KUWAIT
Balance of payments, 19
Exchange rate, 71*
Oil facility in Fund, 54, 91*
Super gold tranche position in Fund, 56*

LAO PEOPLE'S DEMOCRATIC REPUBLIC
Exchange rate, 71*
Purchases from Fund, 82*, 83*
SDRs, 76*, 79*, 80*

LEBANON
Exchange rate, 71*

LESOTHO
Exchange rate, 71*
Repurchases from Fund, 88*, 89*
SDRs, 76*, 80*

LIBERIA
Exchange rate, 71*
Repurchases from Fund, 89*
SDRs, 76*, 79*, 80*
Stand-by arrangement with Fund, 85*

LIBYAN ARAB REPUBLIC
Exchange rate, 71*

LUXEMBOURG
Contribution to Subsidy Account, 59*
Exchange rate, 24, 25(fn.), 71*
SDRs, 76*, 80*

MADAGASCAR
Exchange rate, 71*
Purchases from Fund, 87*
SDRs, 76*, 79*, 81*

MALAWI
Exchange rate, 71*
Purchases from Fund, 82*, 87*
SDRs, 76*, 81*

MALAYSIA
Exchange rate, 71*
SDRs, 48*, 76*, 79*, 81*

MALDIVES
Application for membership in Fund, 64

MALI
Exchange rate, 71*
Purchases and repurchases from Fund, 59*, 82*, 87*, 89*
SDRs, 76*, 79*, 81*

MALTA
Exchange rate, 71*
International reserves, 37
SDRs, 76*, 79*, 81*
Super gold tranche position in Fund, 56*

MAURITANIA
Exchange rate, 71*
Purchases and repurchases from Fund, 59*, 82*, 83*, 87*, 89*
SDRs, 76*, 81*

MAURITIUS
Exchange rate, 71*
Repurchases from Fund, 88*, 89*
SDRs, 76*, 79*, 81*

MEMBERSHIP IN FUND, 64

MEXICO
Exchange rate, 71*
SDRs, 48, 76*, 79*, 81*

MOROCCO
Exchange rate, 71*
Purchases and repurchases from Fund, 82*, 83*, 87*, 88*, 89*
SDRs, 76*, 81*

NEPAL
Exchange rate, 71*
Payments of quota increase, 64
SDRs, 76*, 81*
Stand-by arrangement with Fund, 85*

NETHERLANDS
Contribution to Subsidy Account, 59*
Creditor position in Fund, 56
Exchange rate, 24, 25(fn.), 27*, 71*
International reserves, 35*
Oil facility in Fund, 54, 91*
SDRs, 48, 76*, 81*
Super gold tranche position in Fund, 56*

NEW ZEALAND
Exchange rate, 71*
Contribution to Subsidy Account, 59*
International reserves, 35*
Purchases and repurchases from Fund, 82*, 83*, 87*
SDRs, 76*, 79*, 81*

NICARAGUA
Exchange rate, 71*
Purchases and repurchases from Fund, 87*, 88*, 89*
SDRs, 76*, 81*

NIGER
Exchange rate, 71*
Repurchases from Fund, 89*
SDRs, 76*, 81*

NIGERIA
Exchange rate, 71*
Oil facility in Fund, 54, 91*
SDRs, 48*, 76*, 81*

NORWAY
Contribution to Subsidy Account, 59*
Exchange rate, 25(fn.), 71*
Oil facility in Fund, 54, 91*
SDRs, 76*, 79*, 81*
Super gold tranche position in Fund, 56*

OIL FACILITY IN FUND
Borrowing by Fund, 36, 39, 49, 50, 53–54, 57, 91*
Charges, 57, 92*, 93*
Enlargement, 43
Executive Board decision, 54, 97–98
Interest payments, 54, 92*
Use of, 3, 21, 42, 50, 51, 53–54, 58, 59*, 82*; summary, 87*

OMAN
Exchange rate, 71*
Oil facility in Fund, 54, 91*
SDRs, 77*, 81*

PAKISTAN
Exchange rate, 71*
Purchases and repurchases from Fund, 54, 59*, 82*, 87*, 89*
SDRs, 77*, 79*, 81*
Stand-by arrangement with Fund, 85*

PANAMA
Exchange rate, 71*
Purchases from Fund, 82*, 87*
SDRs, 77*, 79*, 81*
Stand-by arrangement with Fund, 85*

PAPUA NEW GUINEA
Acceptance of Article VIII, 61
Exchange rate, 72*
Membership in Fund, 64
Participation in Special Drawing Account, 64
Purchases and repurchases from Fund, 49, 53, 82*, 87*, 89*
SDRs, 77*, 79*

PARAGUAY
Exchange rate, 72*
SDRs, 77*, 79*, 81*

PERU
Exchange rate, 72*
Purchases and repurchases from Fund, 82*, 83*, 87*
SDRs, 48, 77*, 81*

PHILIPPINES
Exchange rate, 72*
Extended Fund facility, 52
Postponement of repurchase obligation, 53
Purchases and repurchases from Fund, 82*, 83*, 87*, 88*, 89*
SDRs, 48*, 77*, 81*
Stand-by arrangement with Fund, 85*

PORTUGAL
Adherence to arrangements regarding gold, 54
Exchange rate, 72*
Participation in Special Drawing Account, 64
Purchases from Fund, 82*, 87*
SDRs, 77*, 79*

PRICES, 3–4, 5, 6*, 7, 8, 17, 18, 19, 20, 23, 32, 33†; and foreign trade, 1, 9–10, 11, 12†, 52

PRIMARY PRODUCING COUNTRIES
Major oil exporters
Balance of payments, 2, 13–15, 19–20
Demand policies, 20
Development aid, 19, 21
Economic activity and policy, 1–2, 6–7, 19–20, 40
Exchange rate practices, 31
Holdings of SDRs, 48
International reserves, 34, 35*, 37, 38*, 40–41
Output, 5*, 6, 19
Prices, 7, 19, 20
Proposed quotas in Fund, 47
Trade, 9, 10*, 11†, 12*
More developed areas
Balance of payments, 2, 13–15, 19, 23
Debt service payments, 23
Economic activity, policy, and prospects, 1–2, 6–7, 23
Exchange rate practices, 31
Holdings of SDRs, 48
International reserves, 1, 23, 34, 35*, 37, 38*, 39, 40*, 40(fn.), 41, 42
Output, 5*, 6
Prices, 6*, 7, 12†, 23
Proposed quotas in Fund, 47
Trade, 9, 10*, 12*, 12†, 15
Non-oil developing countries
Balance of payments, 2, 13–15, 19, 20–22, 37
Capital and aid flows, 20–21
Debt and debt service, 21, 22
Economic activity, policies, and prospects, 1–2, 6–7, 21–23
Exchange rate policies and practices, 23, 31
Holdings of SDRs, 48
International reserves, 1, 20, 22, 34, 35*, 37, 38*, 40*, 40(fn.), 41, 42
Output, 5*, 6
Prices, 7, 12
Proposed quotas in Fund, 47
Trade, 9, 10*, 12*, 12†, 15
See also individual countries

PUBLICATIONS OF FUND, 95*

QATAR
Balance of payments, 19
Exchange rate, 72*
Super gold tranche position in Fund, 56*

QUOTAS OF FUND MEMBERS, 3, 42, 43, 46–47, 56, 64; proposed maximum, 108–11; ratio to imports, 42; Report of Executive Directors on Sixth General Review, 46, 103–11

ROMANIA
Exchange rate, 72*
Purchases from Fund, 49, 82*, 83*
SDRs, 77*, 79*
Stand-by arrangement with Fund, 85*

RWANDA
Exchange rate, 72*
Repurchases from Fund, 89*
SDRs, 77*, 81*

SAUDI ARABIA
Balance of payments, 19
Contribution to Subsidy Account, 59*
Exchange rate, 72*
International reserves, 37
Oil facility in Fund, 54, 91*
Super gold tranche position in Fund, 56*

SENEGAL
Exchange rate, 72*
Purchases from Fund, 59*, 82*, 87*
SDRs, 77*, 81*

SEYCHELLES
Application for membership in Fund, 64

SIERRA LEONE
Exchange rate, 72*
Purchases from Fund, 59*, 82*, 83*, 87*
SDRs, 77*, 81*

SINGAPORE
Exchange rate, 72*

SOMALIA
Exchange rate, 72*
Repurchase from Fund, 89*
SDRs, 77*, 81*

SOUTH AFRICA
Contribution to Subsidy Account, 59*
Exchange rate, 72*
International reserves, 35*
Purchases from Fund, 82*
SDRs, 48*, 77*, 79*, 81*
Stand-by arrangement with Fund, 85*

SOUTH VIET-NAM
Exchange rate, 72*
SDRs, 77*, 81*

SPAIN
Contribution to Subsidy Account, 59*
Exchange rate, 72*
Prices, 6*
Purchases from Fund, 82*, 87*
SDRs, 48*, 77*, 79*, 81*

SPECIAL DISBURSEMENT ACCOUNT, Proposed, 45, 46

SPECIAL DRAWING ACCOUNT
Operations, 47–50
Participants, 64, 80*–81*
See also SPECIAL DRAWING RIGHTS

SPECIAL DRAWING RIGHTS
Allocation, 36*, 48, 49, 75–77*
BIS as holder, 49
Currencies transferred for, 78*
Holdings: by General Account, 36*, 74*; by participants, 36*, 75*–77*

Interest, charges, and assessments, 74*, 75*–77*, 92*
Interest rate on, 49–50, 58
Purchases by members, 74*, 79*, 82*, 90*
Reconstitution of participants' holdings, 45, 47, 49, 74*, 79*, 80*–81*
Remuneration paid to members, 49, 74*, 79*
Replenishment of participants' currencies, use in, 74*
Repurchases by members, use in, 88*, 90*
Restoration of participants' holdings, 74*
Role under amended Articles, 44, 45
Transactions and operations, summary of, 75*–77*
Transfers by participants: by agreement, 45, 47, 48; with designation, 47, 48, 75*–77*, 78*
Transfers to and from General Account, 47, 48, 49*, 74*, 75*–77*, 79*, 82*, 88*, 90*
Transfers, total, 74*
Valuation, 45, 49–50

SPECIAL DRAWING RIGHTS DEPARTMENT, Proposed, 46

SRI LANKA
Exchange rate, 72*
Purchases and repurchases from Fund, 59*, 82*, 83*, 87*, 89*
SDRs, 77*, 79*, 81*

STAFF OF FUND, 64

STAND-BY ARRANGEMENTS FOR FUND MEMBERS, 50, 51, 82*, 85*; summary, 86*

SUBSIDY ACCOUNT, 3, 43, 58–60
Contributions, 58–59
Executive Board decision, 98–101
List of eligible members, 100
Subsidy paid, 59

SUDAN
Exchange rate, 72*
Purchases and repurchases from Fund, 59*, 82*, 83*, 87*, 89*
SDRs, 48*, 77*, 79*, 81*
Stand-by arrangement with Fund, 85*

SWAZILAND
Exchange rate, 72*
Repurchases from Fund, 89*
SDRs, 77*, 79*, 81*

SWEDEN
Contribution to Subsidy Account, 59*
Exchange rate, 25(fn.), 72*
International reserves, 36–37
Oil facility in Fund, 54, 91*
SDRs, 77*, 81*
Super gold tranche position in Fund, 56*

SWITZERLAND
Arrangements regarding gold, 54
Contribution to Subsidy Account, 59*
Exchange rate, 27*
International reserves, 35*, 36–37
Oil facility in Fund, 54, 91*

SYRIAN ARAB REPUBLIC
Exchange rate, 72*
Purchases and repurchases from Fund, 83*, 89*
SDRs, 77*, 81*

TANZANIA
Exchange rate, 72*
Purchases from Fund, 59*, 82*, 83*, 87*
SDRs, 77*, 79*, 81*
Stand-by arrangement with Fund, 85*

TECHNICAL ASSISTANCE AND TRAINING BY FUND, 61–62

THAILAND
Exchange rate, 72*
SDRs, 77*, 81*

TOGO
Exchange rate, 72*
SDRs, 77*, 81*

TRINIDAD AND TOBAGO
Exchange rate, 72*
Oil facility in Fund, 54, 91*
Repurchases from Fund, 88*, 89*
SDRs, 77*, 79*, 81*

TRUST FUND, 3, 43, 50, 55, 60; Executive Board decision, 111–17; list of eligible members, 116–17

TUNISIA
Exchange rate, 72*
SDRs, 48*, 77*, 81*

TURKEY
Exchange rate, 72*
Purchases from Fund, 82*, 83*, 87*
SDRs, 77*, 81*

UGANDA
Exchange rate, 72*
Purchases and repurchases from Fund, 82*, 83*, 87*, 89*
SDRs, 77*, 81*

UNITED ARAB EMIRATES
Balance of payments, 19
Exchange rate, 72*
Super gold tranche position in Fund, 56*

UNITED KINGDOM
Balance of payments, 2, 14*, 15, 16, 17
Capital movements, 2, 16
Contribution to Subsidy Account, 59*
Exchange rate, 2, 16, 25(fn.), 26†, 27, 28, 29–31, 32, 33†, 72*
Interest rates, 16, 18†
International reserves, 35*, 37
Official claims in sterling, 36*, 38*, 39
Output, 4, 5*
Prices, 4, 6*, 11, 32, 33†
Purchases and repurchases from Fund, 47, 48, 51, 53, 54, 82*, 87*, 89*
SDRs, 48, 77*, 79*, 81*
Stand-by arrangement with Fund, 85*

UNITED STATES
Balance of payments, 2, 14*, 15, 16
Creditor position in Fund, 56
Cyclical fluctuations, 9
Exchange rate, 16, 25, 26†, 27, 28, 29, 30†, 31, 33†, 72*
Interest rates, 18†, 28, 29†
International reserves, 16, 34, 35*, 36*, 38*; ratio of reserves to imports, 41
Monetary policy, 17
Official claims in dollars, 36*, 37†, 38*
Output, 4, 5*
Prices, 4, 6*, 32, 33†
SDRs, 48, 77*, 81*
Super gold tranche position in Fund, 56*

UPPER VOLTA
Exchange rate, 72*
SDRs, 77*, 81*

URUGUAY
Exchange rate, 72*
Postponement of repurchase obligation, 53
Purchases and repurchases from Fund, 82*, 84*, 87*, 88*, 89*
SDRs, 77*, 79*, 81*
Stand-by arrangement with Fund, 85*

VENEZUELA
Contribution to Subsidy Account, 59*
Creditor position in Fund, 56
Exchange rate, 72*
International reserves, 37
Oil facility in Fund, 54, 91*
SDRs, 48*, 77*, 81*
Super gold tranche position in Fund, 56*

WESTERN SAMOA
Exchange rate, 72*
Purchases from Fund, 59*, 82*, 84*, 87*
SDRs, 48*, 77*, 81*
Stand-by arrangement with Fund, 85*

WORLD OUTPUT, 5*

WORLD TRADE
Outlook, 19
Value and volume, 1, 9, 10*, 12*

YEMEN ARAB REPUBLIC
Exchange rate, 72*
SDRs, 77*, 81*

YEMEN, PEOPLE'S DEMOCRATIC REPUBLIC OF
Exchange rate, 72*
Purchases from Fund, 59*, 82*, 87*
SDRs, 77*, 79*, 81*

YUGOSLAVIA
Contribution to Subsidy Account, 59*
Exchange rate, 73*
Purchases and repurchases from Fund, 82*, 87*, 89*
SDRs, 77*, 81*

ZAÏRE
Exchange rate, 73*
Purchases and repurchases from Fund, 82*, 84*, 87*, 89*
SDRs, 77*, 79*, 81*
Stand-by arrangement with Fund, 85*

ZAMBIA
Exchange rate, 73*
Purchases and repurchases from Fund, 82*, 84*, 87*, 89*
SDRs, 77*, 79*, 81*