1992
International Monetary Fund

Annual Report

Purposes of the Fund

(i) To promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems.

(ii) To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.

(iii) To promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation.

(iv) To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.

(v) To give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.

(vi) In accordance with the above, to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.

The Fund shall be guided in all its policies and decisions by the purposes set forth in this Article.

Article I of the Fund's Articles of Agreement

Annual Report, 1992

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International Monetary Fund

Annual Report

of the Executive Board
for the Financial Year
Ended April 30, 1992
Washington, D.C.

International Standard Serial Number : ISSN 0250-7498

Contents

The following symbols have been used in this Report:

... To indicate that data are not available:
— To indicate that the figure is zero or less than half the final digit shown, or that the item does not exist;
– between years or months (e.g., 1991–92 or January–June) to indicate the years or months covered, including the beginning and ending years or months;
/ between years (e.g., 1991/92) to indicate a crop or fiscal (financial) year.

"Billion" means a thousand million.

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

All references to dollars are to U.S. dollars unless noted otherwise.

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*Alphabetical Listing

August 7, 1992

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Letter of Transmittal to the Board of Governors

August 5, 1992

Dear Mr. Chairman:

I have the honor to present to the Board of Governors the Annual Report of the Executive Board for the financial year ended April 30, 1992, in accordance with Article XII, Section 7(*a*) of the Articles of Agreement of the International Monetary Fund and Section 10 of the Fund's By-Laws. In accordance with Section 20 of the By-Laws, the administrative and capital budgets of the Fund approved by the Executive Board for the financial year ending April 30, 1993 are presented in Appendix VIII. The audited financial statements for the year ended April 30, 1992 of the General Department, the SDR Department, accounts administered by the Fund, the Staff Retirement Plan, and the Supplemental Retirement Plan, together with reports of the External Audit Committee thereon, are presented in Appendix IX.

Yours sincerely,

MICHEL CAMDESSUS
Chairman of the Executive Board

Chairman of the Board of Governors
International Monetary Fund

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Toward a Global Monetary System

The global economic environment changed dramatically during 1991/92, creating challenges and opportunities for the world's policymakers. Many countries around the world, including those of Eastern Europe and the states of the former U.S.S.R., launched, or were following, policies to build market-based economies and to integrate them into the global economic system. This transformation is vital for the economic well-being of the countries themselves and for the rest of the world, since in an interdependent world, all countries gain if these countries become positive contributors to world economic growth.

Many industrial countries had to grapple with the effects of recession and sought to promote recovery in ways compatible with medium-term noninflationary growth. At the same time, many developing countries pursued, with Fund support, macroeconomic and structural policies aimed at restoring balance of payments viability and noninflationary growth.

The Fund was at the center of many of these changes during the financial year. In particular, it was deeply involved in international efforts to support the transformation of the previously centrally planned economies of the former U.S.S.R. and in Eastern Europe. A major part of the Fund's work was devoted to helping the formerly centrally planned economies put in place their own strategies—suited to their special circumstances—to develop market-based systems. The Fund's support of these efforts required a major redeployment of staff—as well as the hiring of additional staff and the creation of a new department to work with the states of the former U.S.S.R. It also required a temporary modification to the normal scheduling of Article IV consultations with member countries and the postponement of analysis, and Executive Board discussion, of some other broad policy issues.

The Fund established relations with the former U.S.S.R. in October 1991, with the signing of a Special Association agreement between the Fund and the then-Soviet Union. The agreement opened the way for Fund policy advice and technical assistance to be made available immediately; following the dissolution of the Soviet Union, such advice and assistance was provided to the individual states. This was followed by pre-membership reviews of each of the states of the former U.S.S.R. and the determination of quotas for these states.

By May 4, 1992, the Board of Governors of the Fund had adopted membership resolutions for all 15 states of the former U.S.S.R.; as of June 1, seven former Soviet states—Armenia, Estonia, Georgia, Kyrghyzstan, Latvia, Lithuania, and Russia—had joined the Fund. Upon membership, they were entitled to Fund policy advice on a regular basis, technical assistance, and balance of payments financing in support of macroeconomic and structural reform programs.

Albania joined the Fund in October 1991 and Lithuania in April 1992. During May 1992, the Republic of the Marshall Islands and Switzerland became members of the Fund. With the prospective membership of the remaining states of the former U.S.S.R., together with the prospective membership of the Republics of Croatia, Slovenia, and Bosnia-Hercegovina, the Federated States of Micronesia, and San Marino, the Fund is moving toward universal membership.

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The World Economy

Overall world economic growth declined slightly in 1991, owing to reductions in output in a number of industrial countries, the sharp drop in output in Eastern Europe and the former U.S.S.R., and stagnation in the Middle East following the conflict in that region. However, in the developing countries, growth averaged 3¼ percent in 1991, only a little less than in 1990. The picture was especially encouraging in Asia and the Western Hemisphere, where output grew in 1991 by 5¾ percent and 2¾ percent, respectively; in sub-Saharan Africa there was a modest increase in output of 1½ percent. An unprecedented economic transformation has been initiated in Eastern Europe and the former U.S.S.R. Although the initial falls in output in this region were greater than expected, there are signs that the transition to a market-based economy is taking hold in Eastern Europe and reforms are now being launched in the states of the former U.S.S.R.

Consumer price inflation in industrial countries moderated to 4½ percent in 1991 from nearly 5 percent in 1990, reflecting the slack in product and labor markets in most countries. In many developing countries, inflation was brought down, while it rose sharply in the former U.S.S.R.

In the industrial countries, the combined current account deficit narrowed to about $25 billion in 1991 from almost $100 billion in 1990, largely owing to transfers relating to the Middle East conflict and the terms of trade improvement resulting from a decline in oil prices. For the developing countries, the aggregate current account deficit rose to $85 billion in 1991 from $8 billion in 1990, with war-related transfers accounting for roughly half the increase. The total external debt of all developing countries rose more than 4 percent to about $1,500 billion, owing to a substantial increase in the external debt of Asia and the Middle East, and a much smaller increase in that of the Western Hemisphere.

1. Overview

World economic activity declined slightly in 1991 (Table 1). This decline reflected weaker growth in the industrial countries, including reductions in output in the United Kingdom, Canada, and the United States; the sharp contraction of output in Eastern Europe and the former U.S.S.R.; and stagnation in the Middle East following the conflict in that region. In contrast, the developing countries in Africa, Asia, and the Western Hemisphere experienced stronger growth in 1991 relative to 1990. Owing to the weakness in many areas of the world economy, the expansion in world trade volume moderated somewhat last year from the pace of 1990.

During 1991 and early 1992, inflation declined as demand fell relative to productive potential in most of the major industrial countries. Following the Middle East crisis of 1990, continued weak demand and increased supplies of petroleum led to an easing of price pressures in world oil markets. Non-fuel commodity prices declined further during 1991, as demand from the industrial countries moderated and inventory stocks for many commodities increased (Chart 1). The dampening of aggregate demand and price pressures was associated with a significant decline in the six-month London interbank offered rate (LIBOR) in 1991 and early 1992.

Despite the marked slowdown in much of the industrial world, GDP growth in the developing countries averaged 3¼ percent in 1991, about the same as in 1990, while inflation was halved to a little over 40 percent. This maintenance of growth in the face of weakness in the industrial countries was in part the result of reductions in macroeconomic imbalances and structural reforms in many countries. These improvements in policy implementation helped to strengthen domestic demand by enhancing the confidence of both consumers and investors in the medium-term prospects of a number of countries, particularly in the Western Hemisphere. Moreover, the decline in international interest rates alleviated the heavy costs of servicing external debt, and there were signs that inflows of foreign capital had begun to recover in some countries.

The economic transformation that has been initiated in Eastern Europe and the former U.S.S.R. is unprecedented in both scope and impact. The initial stages of reform have been marked by output losses that have been greater than anticipated, partly because of the profound distortions that existed under the previous system. While the rise in private sector activity may not be fully captured in the official statistics, the drop in output in the two regions since 1989 is estimated to have reached 20 percent, and for some countries it has exceeded 35 percent. However, while the process of reform is still under way, there is evidence that the transition to a market-based economy is beginning to take hold in Eastern Europe, and there are signs of a bottoming out of the contraction in some countries. In contrast, although a major economic reform program was adopted by the Russian Government in early 1992, important macroeconomic adjustment policies and systemic reforms remain to be implemented in Russia and the other states of the former U.S.S.R.

2. Economic Developments and Policies

Industrial Countries

Economic growth in the industrial countries declined from 2½ percent in 1990 to less than 1 percent in 1991 (Table 1). The slowdown reflected recessions in North America, the United Kingdom, and a number of smaller industrial countries, as well as a deceleration of growth in Japan and Germany from unsustainably high rates in 1990. The weakness in industrial countries was associated with adjustments in private sector financial positions, a renewed worsening of consumer confidence in most of the major industrial countries (especially the United States), relatively high real interest rates in Germany and the rest of Europe, and a sharp deceleration in fixed investment in Japan. Reflecting the weakness in economic activity, the average rate of *unemployment* in the industrial countries increased from 6¼ percent in 1990 to 7 percent in 1991.

Output in the United States declined by almost ¾ of 1 percent in 1991; stagnation in consumer outlays and a fall in fixed investment and inventories were only partially offset by an increase in net exports. In the first quarter of 1992, there was a recovery of demand and real GDP rose by almost 3 percent at an annual rate. The recessions in the United Kingdom and Canada in 1991 were more severe than in the United States, mainly because these two countries experienced greater inflationary pressures in 1989–90, which required more vigorous policy responses.

Growth decelerated in both Japan and west Germany during 1991, and output coincided with the estimated level of potential GNP by the end of the year (Chart 2). In Japan, the slowdown in 1991 reflected mainly a significant fall in the growth of fixed investment to 3½ percent, compared with an average of more than 10 percent a year during 1987–90. In west Germany, after rapid growth in the first quarter of the year, real GNP declined during the rest of 1991 as demand was

Table 1

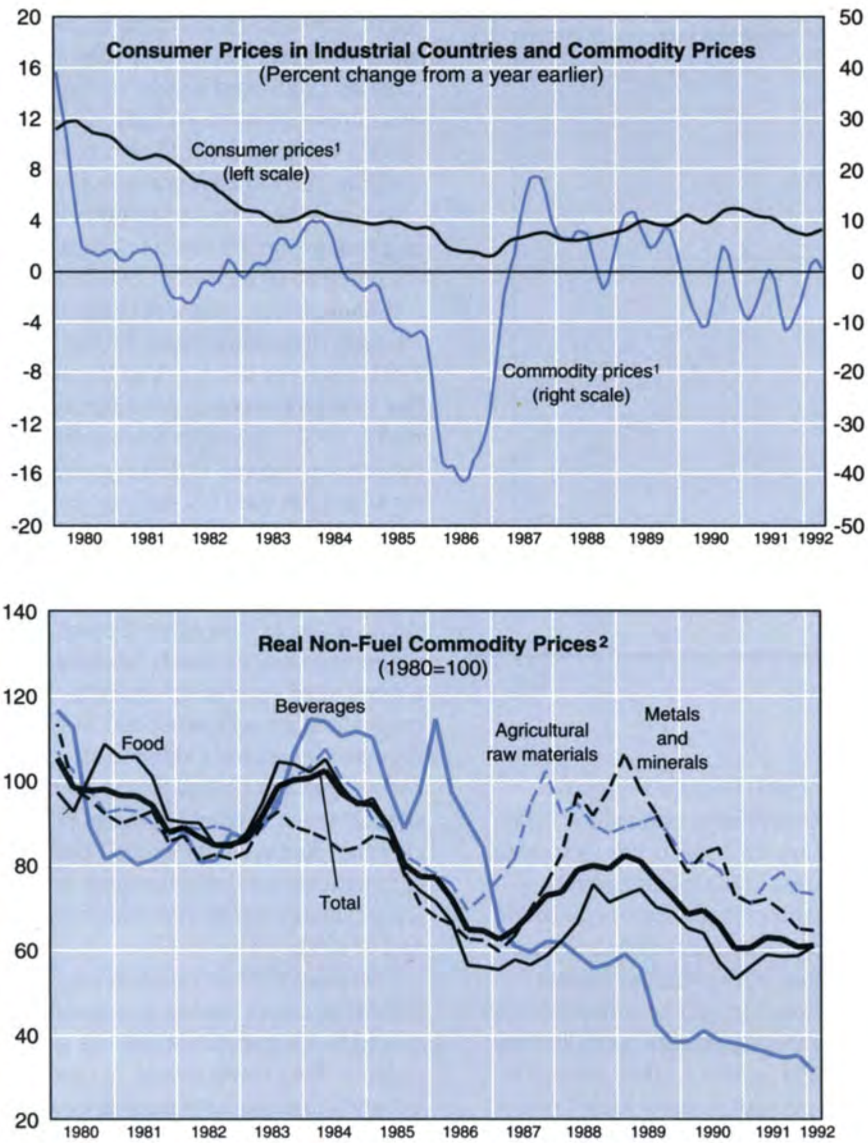
Overview of the World Economy, 1988–91
(Annual changes in percent, unless otherwise noted)

	1988	1989	1990	1991
World output	4.3	3.3	2.2	−0.3
Industrial countries	4.3	3.4	2.5	0.8
United States	3.9	2.5	1.0	−0.7
Japan	6.2	4.8	5.2	4.5
European Community	3.9	3.5	2.9	0.8
Developing countries	3.9	3.7	3.5	3.3
Africa	3.6	2.7	0.9	1.4
Asia	8.9	5.3	5.6	5.8
Middle East	−1.7	4.7	4.2	0.4
Western Hemisphere	0.7	1.0	−0.1	2.8
Eastern Europe and the former U.S.S.R.	4.7	2.3	−2.9	−16.9
Eastern Europe[1]	1.3	−0.8	−7.1	−16.6
The former U.S.S.R.	5.5	3.0	−2.0	−17.0
Memorandum				
Developing countries excluding the Middle East	5.3	3.4	3.3	4.2
World trade volume	8.9	6.7	4.1	3.3
Commodity prices				
Oil[2]	−20.4	21.5	28.2	−17.0
Oil (*in U.S. dollars a barrel*)	14.15	17.19	22.04	18.30
Non-fuel[3]	23.3	−0.5	−7.9	−4.7
Consumer prices				
Industrial countries	3.3	4.4	4.9	4.4
Developing countries	57.2	71.1	80.0	41.4
Eastern Europe[1]	41.8	130.6	149.1	134.7
The former U.S.S.R.	0.6	2.0	5.6	86.0
Six-month LIBOR (*in percent*)[4]	8.1	9.3	8.4	6.1

[1]The countries in Eastern Europe are defined here to include Bulgaria, the Czech and Slovak Federal Republic, Hungary, Poland, Romania, and Yugoslavia.
[2]Simple average of the U.S. dollar spot price of U.K. Brent, Dubai, and Alaska North Slope crude oil.
[3]In U.S. dollars; based on world export weights.
[4]London interbank offered rate on six-month U.S. dollar deposits.

Chart 1

Inflation Indicators



[1] Three-month centered moving average of 12-month inflation rates in industrial countries. Consumer prices are measured in local currencies and are averaged using GDP weights. The commodity price index is an export-weighted average of 36 prices denominated in SDRs, including prices of oil and gold.

[2] Non-fuel commodity prices deflated by the export price of manufactures of industrial countries.

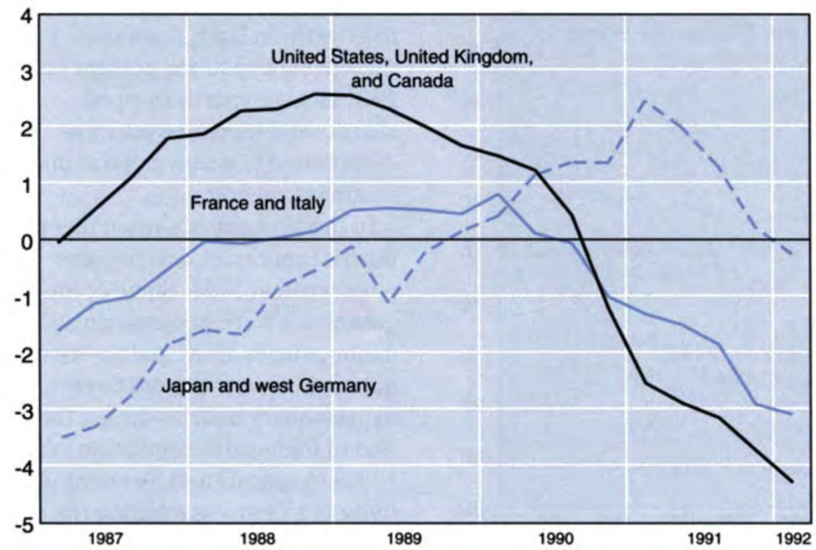
constrained by weak foreign demand, relatively tight monetary conditions, and tax increases to finance unification. Economic activity is estimated to have declined by about one fourth in east Germany. In unified Germany, output is estimated to have increased by $1\frac{1}{4}$ percent in 1991. In France, where interest rates were relatively high, but declined during 1991, growth moderated as consumer spending expanded less rapidly and fixed investment declined; net exports, however, provided a small stimulus to growth. In Italy, economic growth slowed to $1\frac{1}{2}$ percent in 1991 as net exports dropped sharply and high interest rates contributed to a slowdown in investment spending.

In the majority of the smaller industrial countries, activity was quite weak in 1991. Some of these economies were in recession as major policy adjustments were required to correct the relatively expansionary policies during the period of financial deregulation in the 1980s (Australia and Sweden). Activity in Norway (excluding the oil sector) was restrained by the effects of financial distress in both the financial and nonfinancial sectors, and in Switzerland output declined as monetary policy remained tight to correct earlier policy slippages. Growth remained positive in Austria, Belgium, and Denmark as the positive spillover demand from Germany offset the impact of high interest rates, but unemployment rates increased. Growth slowed significantly in the Netherlands, Portugal, and Spain but remained strong enough to stabilize the unemployment rate in Spain and reduce it in the Netherlands and Portugal.

Monetary conditions in 1991 mirrored the different cyclical positions of the three major industrial countries. To support activity against a background of reduced inflationary pressures, the U.S. Federal Reserve lowered both the discount rate and the federal funds rate by about 3 percentage points during 1991, with the discount rate falling to its lowest level since 1964. The

Chart 2

Major Industrial Countries: Output Gaps[1]
(In percent)



[1] The output gap is calculated as the percentage difference between actual or projected GDP and staff estimates of potential output; composites are based on 1988–90 GDP weights.

Bank of Japan lowered its discount rate from 6 percent to 4½ percent during the year, taking account of slower growth and trends in prices, money supply, and market interest rates; the overnight call rate also fell by over 2 percentage points. In April 1992, the Bank of Japan further reduced the discount rate to 3¾ percent and the U.S. Federal Reserve reduced slightly the federal funds rate. In contrast, the Deutsche Bundesbank raised both the discount rate and the Lombard rate to very high levels by the end of 1991—8 percent and 9¾ percent, respectively—in response to inflation rising above 4 percent, strong wage pressures, and growth of the broad monetary aggregate (M3) at the top of the target range, which accelerated further in the first quarter of 1992. Despite sluggish growth and increasing slack in labor markets, most other European countries in the exchange rate mechanism of the European Monetary System also raised their interest rates. However, the United Kingdom brought commercial bank base rates down substantially during 1991, with a further reduction to 10 percent in early May 1992.

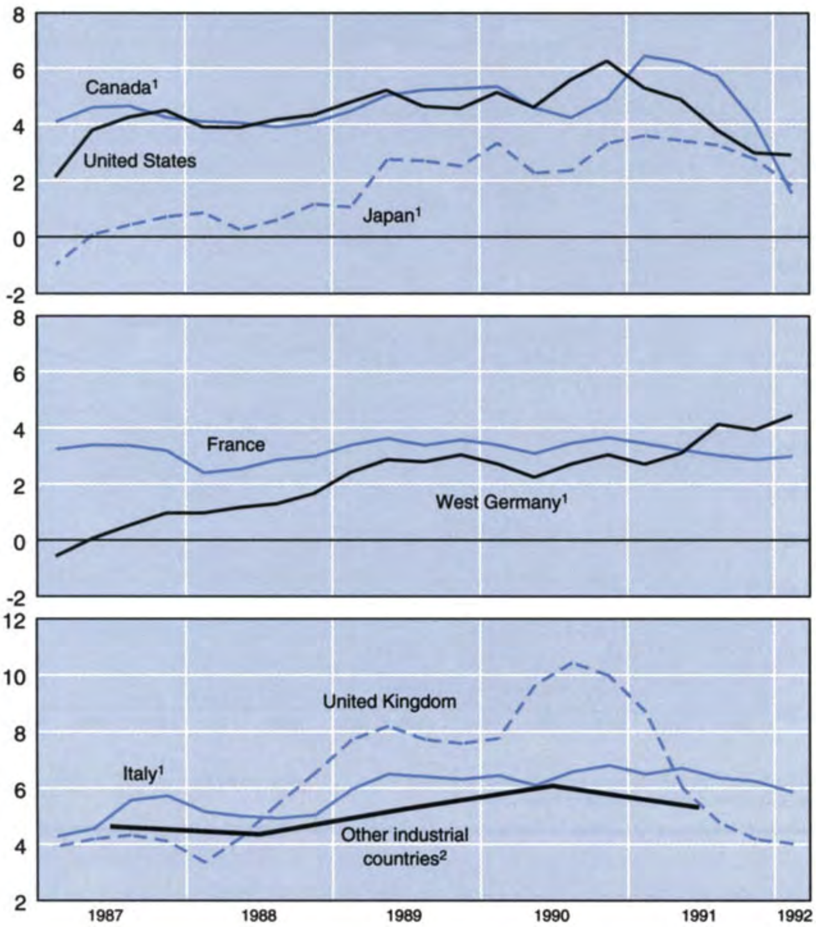
The combined *fiscal deficit* (general government basis) of the seven major industrial countries widened from 1½ percent of GDP in 1990 to 2½ percent in 1991. In North America and the United Kingdom, fiscal positions worsened in 1991 largely because of the decline in economic activity. In France, the budget deficit rose somewhat as growth slowed, but it remained relatively small relative to GDP. In the wake of unification, Germany's general government deficit widened considerably in 1991 to 3¼ percent of GNP, although by less than originally budgeted because of expenditure shortfalls and higher-than-expected revenues. In Italy, the deficit declined from 11 percent of GDP in 1990 to 10¼ percent in 1991, but the state-sector borrowing requirement remained about unchanged at 10¾ percent of GDP.

Although there were substantial changes in *exchange rates* during 1991, from the last week of December 1990 to the corresponding period in 1991, the major European currencies showed little net movement against the U.S. dollar, while the yen appreciated about 7 percent against the U.S. currency. In the first five months of 1992, however, the U.S. dollar rose against most major currencies, in part because of a downward revision in expectations about growth prospects in Europe and increased evidence of recovery in the United States. By the last week of May 1992, the U.S. currency had risen by about 7 percent against the deutsche mark and 2 percent against the yen since the end of 1991.

Consumer price inflation in the industrial countries as a group moderated to 4½ percent in 1991 as a result of the growing slack in product and labor markets in most countries. This easing of pressures on capacity also contributed to a lowering of wage increases and declines in commodity prices. Inflation in west Germany, however, rose to 3½ percent in 1991, in part owing to an increase in indirect taxes in the second half of the year, but also because of tight labor markets and excess demand related to unification. Inflation in the group of

Chart 3

Industrial Countries: Consumer Price Indices
(Percent change from four quarters earlier)



[1] Increases in indirect taxes raised consumer prices in 1989 in Canada, west Germany, Japan, and Italy, and in 1991 in Canada and west Germany.
[2] Annual observations.

smaller industrial countries also moderated in 1991, but it remained more than 1 percentage point above the average inflation rate of the seven major countries (Chart 3), owing largely to relatively high rates in a few countries. During the first four months of 1992, inflation moderated further in most of the major industrial countries; consumer prices on average were about 3 percent above their level in the corresponding period of 1991.

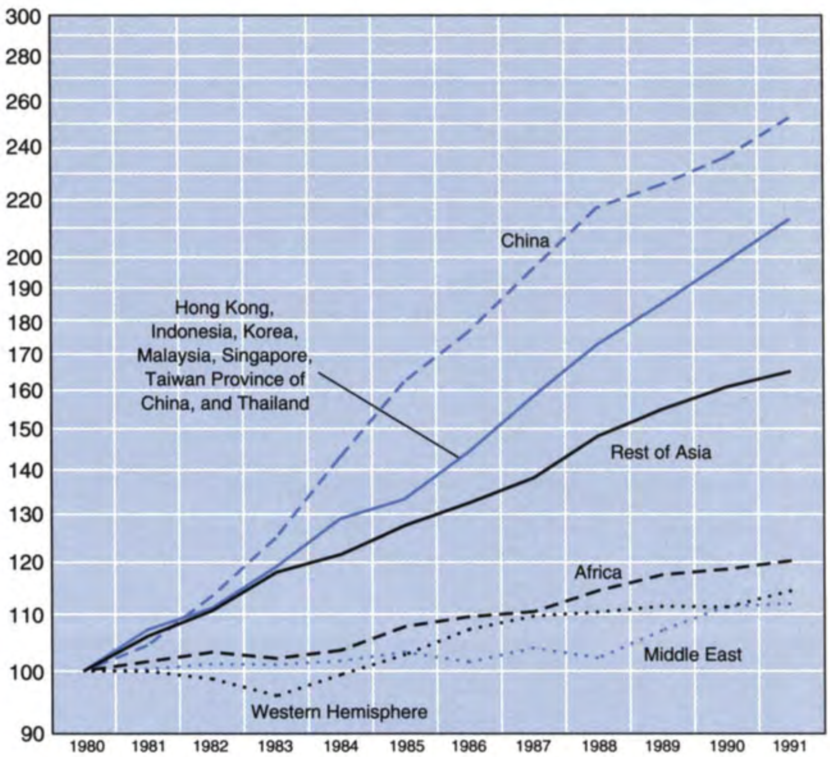
The combined *current account* deficit of the industrial countries narrowed from almost $100 billion in 1990 to about $25 billion in 1991. This decline reflected primarily transitory factors, including war-related transfers resulting from the Middle East crisis and an improvement in the terms of trade stemming from the decline in oil prices. Differences in cyclical developments, and the war-related transfers from Japan, Germany, and Middle Eastern countries accounted for most of the large reduction in the current account deficits of the United States and the United Kingdom. The current account deficit of France also narrowed significantly in 1991. The substantial increase in Japan's current account surplus in 1991 reflected an improvement in the terms of trade, a sharp decline in gold imports for investment purposes, and slower growth in import volume associated in part with moderate expansion of domestic demand. In Germany, a large increase in imports and a reduction in exports to meet demand in the eastern part of the country generated a sizable swing in the external position from surplus to deficit.

Developing Countries

In the developing countries in *Africa*, average growth in real output increased somewhat in 1991, but remained fairly low because of a worsening of the terms of trade, financing constraints, and the effects of civil disturbances and natural disasters (Table 1 and Chart 4). Moreover, in some countries failure to implement appropriate economic policies resulted in low or negative growth. However, structural reforms and the sustained implementation of prudent macroeconomic policies supported growth in a number of countries; in particular, average growth was roughly unchanged at nearly $2^1/_2$ percent in countries with programs supported by arrangements under the Fund's structural adjustment facilities (SAF and ESAF). In the sub-Saharan region, output rose by only 1½ percent and per capita GDP continued to decline. In the CFA franc zone, activity declined on a weighted average basis, as strong growth in four, and low to moderate growth in three members, was more than offset by declines in output in two large countries and stagnation in a few others. In Africa (excluding Zaïre, which suffered hyperinflation last year), inflation rose from 16 percent in 1990 to 22 percent in 1991, owing to more rapid money growth, adjustments in administered prices, and currency depreciations related to terms of trade shocks (Chart 5). In addition, inflation rose sharply in some of the countries that suffered from civil disturbances. However, in several countries undertaking adjustment programs, inflation declined. Moreover, all members of the CFA franc zone experienced low or negligible inflation, and in some cases prices declined; on a weighted average basis, inflation fell from 1½ percent in 1990 to ½ of 1 percent in 1991.

Chart 4

Developing Countries and Regions: Real GDP[1]
(1980 = 100; logarithmic scale)



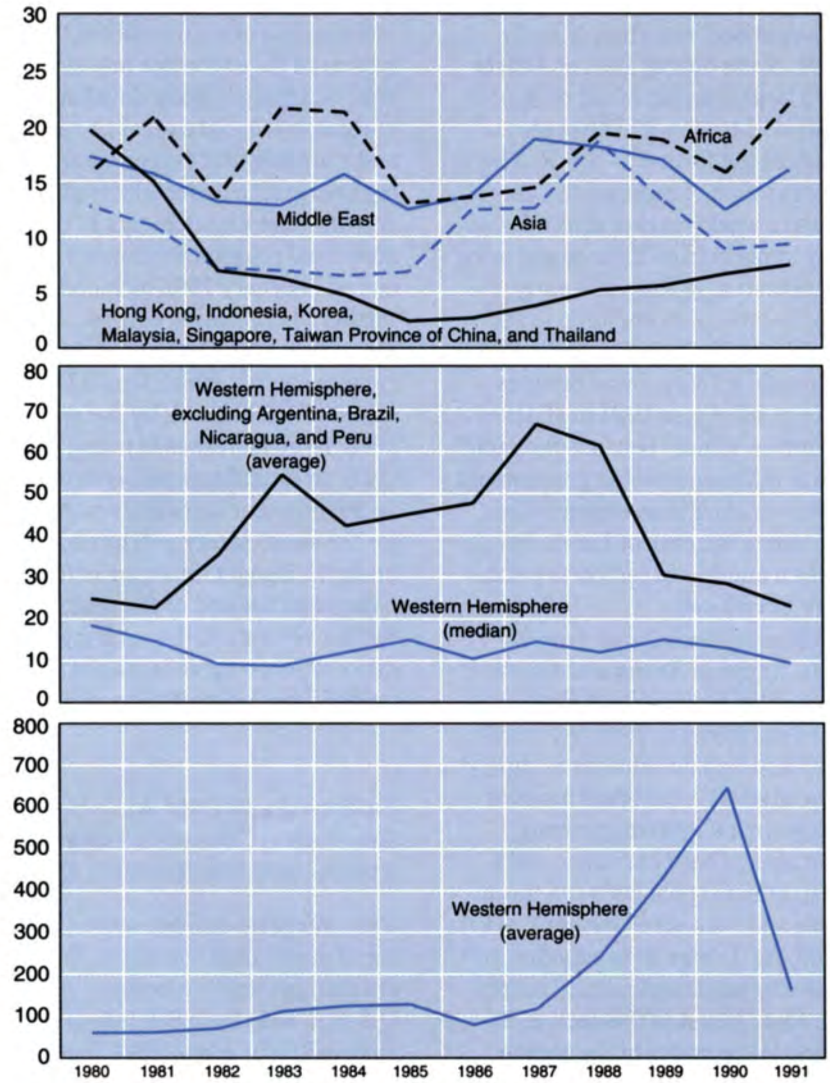
[1] Composites are indices based on arithmetic averages of real GDP weighted by the average U.S. dollar value of respective GDPs over the preceding three years.

Real output in *Asia* grew by an estimated 5¾ percent in 1991. Strong domestic demand and rapid growth of regional trade helped to offset a number of adverse developments, including the effects of the Middle East crisis, the weakness of export markets in industrial countries, and natural disasters in Bangladesh, China, and the Philippines. Although several Asian countries were adversely affected by the crisis in the Middle East, the negative impact was moderated by structural reforms and prudent financial policies in Bangladesh, Pakistan, and Sri Lanka. India and the Philippines, which faced large macroeconomic imbalances prior to the crisis, were less resilient. India and Mongolia were adversely affected by developments in the former U.S.S.R. and by a shortage of foreign exchange. The fast-growing economies of China, Hong Kong, Indonesia, Korea, Malaysia, Singapore, Taiwan Province of China, and Thailand continued to outperform the other countries of the region, and they also accounted for much of the expansion of regional trade. Inflation in Asia was roughly unchanged at 9½ percent in 1991 (Chart 5). While price increases moderated in several countries, they worsened in others because of the delayed pass-through of temporarily higher oil prices and strong demand pressures. The inflation performance of the seven fast-growing economies continued to worsen, owing to capacity constraints and labor shortages arising from rapid consumption and investment demand during the extended period of rapid economic growth in the 1980s.

The crisis in the *Middle East* reduced growth in the region to virtually zero in 1991, primarily as a

Chart 5

Developing Countries and Regions: Consumer Prices[1]
(Percent change)



[1] Composites are geometric averages of consumer price indices measured in local currencies for individual countries weighted by the average U.S. dollar value of respective GDPs over the preceding three years.

result of large output losses in Iraq and Kuwait. For most of the other countries in the area, growth either remained unchanged or declined somewhat. After the hostilities ceased, however, there were signs of recovery. The strongest expansion was in Saudi Arabia where output rose by about 10 percent in 1991 following a rise of 11 percent in 1990. In the Islamic Republic of Iran, growth remained strong in 1991 following a nearly 10 percent increase in non-oil GDP in 1990. Much of the increase in inflation in the Middle East in 1991 can also be attributed to the crisis, which caused fiscal deficits to widen and led to a scarcity of consumer goods in some countries.

Economic conditions improved in many countries of the *Western Hemisphere* in 1991, as reform programs introduced during 1988–91 took effect and some countries benefited from the international debt strategy. Despite weak growth of export markets, real GDP expanded by 2¾ percent following little or no change in 1990, and GDP per capita increased for the first time since 1988. Consumption and investment surged, which reflected improved confidence, the liberalization of external trade, widespread privatization, and a recovery of private capital inflows. As a result, the current account deficit increased significantly, but this was more than matched by a rise in capital inflows—including non-debt-creating flows—so that official reserves increased strongly. Improved policies resulted in a sharp decline in the average rate of inflation in the Western Hemisphere, from over 600 percent in 1990 to about 160 percent in 1991, while the median inflation rate fell from 13 percent to 8 percent. During the year, inflation fell significantly in such high-inflation countries as Argentina, Peru, and Nicaragua. In some countries, however, difficulties in controlling liquidity as a result of large capital inflows—a phenomenon not seen since the early 1980s—contributed to price pressures.

Eastern Europe and the States of the Former U.S.S.R.

The decline in output in *Eastern Europe*, which began in 1989, steepened during 1991 in most of the region, particularly in Albania, Bulgaria, Czechoslovakia, Romania, and Yugoslavia. The continued fall in output reflected several factors: a sharp deterioration in the region's terms of trade following the move to world prices for interregional trade; the collapse of trade among the former members of the Council for Mutual Economic Assistance (CMEA); the breakdown of the old command system; the lack of progress in important areas of structural reform in some Eastern European countries; and social unrest in Albania and civil war in Yugoslavia.

The reform process has led to dramatic changes in the structure and level of prices. On average, inflation continued to be high in the region, but price developments differed across countries. By mid-1991, inflation in Czechoslovakia was under control, and during the second half of the year inflation in Hungary had declined substantially. In Poland, after a sharp reduction of inflation in the second half of 1990 and early 1991, inflationary pressures re-emerged in the latter part of 1991 and early 1992. In Bulgaria and Romania, inflation increased on account of deteriorating terms of trade, large monetary overhangs, and sharp exchange rate depreciations owing to a scarcity of foreign exchange.

Most countries have liberalized trade and exchange systems, initiated the establishment of two-tier banking systems, and drafted or passed privatization laws; and all countries have established social safety nets, including unemployment benefit schemes. In Bulgaria, Poland, and Romania, however, important reforms—including privatization of large enterprises—have been delayed, and signs of slippages in stabilization policies risk eroding initial achievements, particularly in Poland.

Output declined sharply in the *Baltic States* during 1991 and early 1992 largely as the result of the disruption of trade with the other states of the former U.S.S.R. The liberalization of most prices, the move to world market prices for energy imports from Russia, and price liberalization in Russia in early 1992 led to a discrete jump in the price level. Despite the decline in economic activity, fiscal budgets were in surplus in 1991 in all three countries, mainly because the rapid rise in inflation boosted government revenues more than expenditures, but also in the case of Latvia because a number of temporary taxes were introduced.

Following a moderate drop in 1990, output in *Russia and the other states of the former U.S.S.R.* declined markedly in 1991 as a result of widespread disruptions in supply associated with the breakdown of the command system, growing shortages of hard currency, and a sharp drop in trade between these states and with other former CMEA members. Lower oil production and generally weak agricultural output also contributed to the decline. Inflation in the states of the former U.S.S.R. is estimated to have risen dramatically from 1990 to 1991. Moreover, consumer prices were liberalized in all the states in January 1992. In Russia, where about 90 percent of consumer prices and 80 percent of producer prices were removed from any government control, consumer prices increased by some 490 percent during the first three months of 1992. Such price increases also were typical of the other states of the former U.S.S.R.

In addition to price liberalization, the Russian Government adopted a number of other important reforms in early 1992. These included the introduction of a value-added tax; reform of the exchange rate system, including a sharp devaluation of the commercial exchange rate; and a presidential decree establishing the right to undertake trading activity. The key elements of the additional reforms announced at the end of February 1992 included a further liberalization of most of the remaining administered prices, including energy, which would be raised to world levels by the end of 1993; large increases in taxes, especially on oil and gas, and restraints on government spending (except for the social safety net) intended to bring the budget into approximate balance by the end of the year; and further reforms of the exchange rate system to move in stages to a unified, pegged exchange rate.

Financing and Debt in Developing Countries, Eastern Europe, and the Former U.S.S.R.

The aggregate current account deficit of developing countries, Eastern Europe, and the former U.S.S.R. rose from $30 billion in 1990 to $94 billion in 1991. Excluding Eastern Europe and the former U.S.S.R., the deficit rose from $8 billion in 1990 to $85 billion in 1991. War-related transfers from Kuwait and Saudi Arabia to the United States, France, and the United Kingdom—together with reduced trade surpluses in the Middle East—accounted for about half of the increase. The other half can be attributed to rapid growth of imports in Asia, particularly in the seven fast-growing economies, and in the Western Hemisphere, owing to strong demand for capital goods and the effects of trade liberalization.

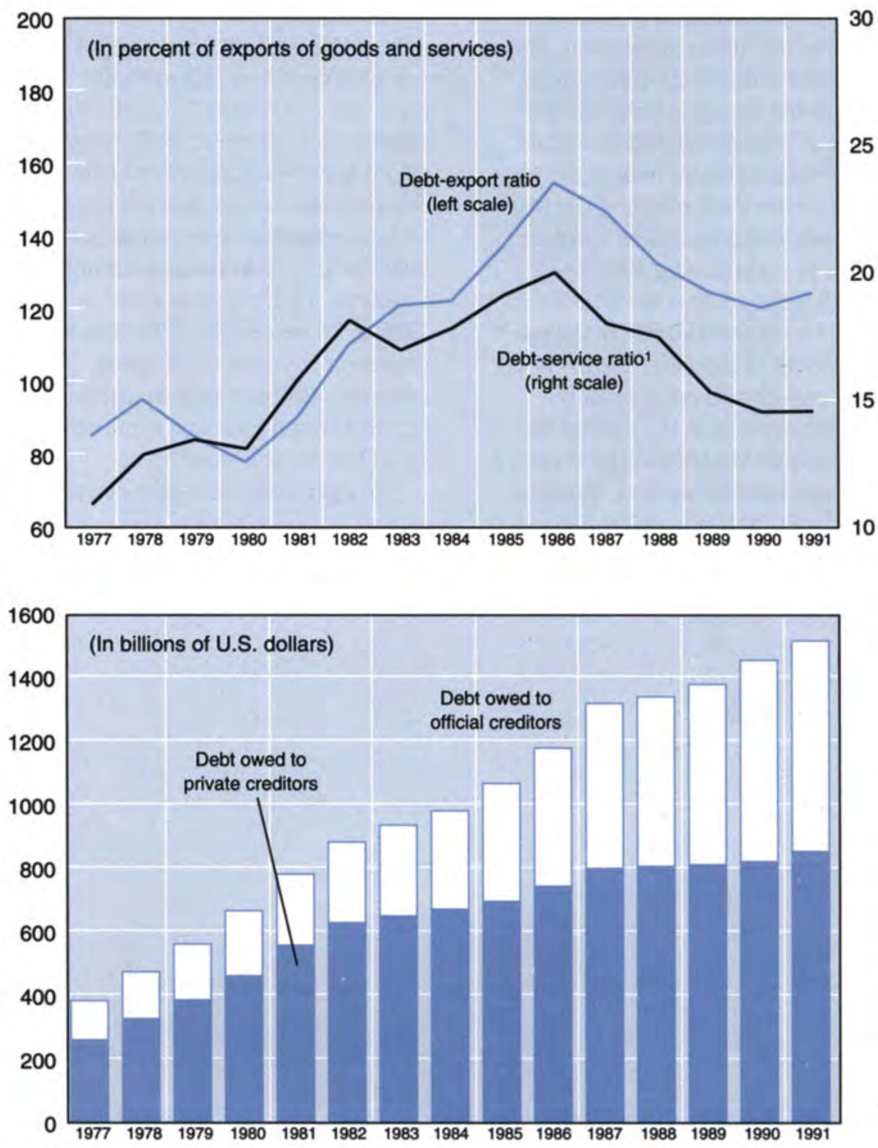
In Eastern Europe, the sharp deterioration in the terms of trade and collapse of exports to the former U.S.S.R. and east Germany were the main reasons for the widening of the combined current account deficit from $1½ billion in 1990 to about $7 billion in 1991. The deterioration in the current account deficit was limited by the severe compression of imports. In the former U.S.S.R., the decline in exports and the substantial debt-service payments also led to large cutbacks in imports in 1991, which on balance resulted in a sharp drop in the combined current account deficit from about $21 billion in 1990 to an estimated $2½ billion in 1991.

The net flow of financial resources (official transfers, foreign direct investment, and net external borrowing) to the developing countries increased only modestly in 1991 to $112 billion, as official transfers from the Middle East largely offset a sharp increase in external borrowing in Asia, notably by Thailand and Korea. In Eastern Europe and the former U.S.S.R., the net flow of financial resources rose slightly to $12¼ billion last year.

A number of countries were involved in debt-restructuring agreements in 1991. The Paris Club reached debt-reduction agreements with Poland and Egypt, which provided in stages for a 50 percent reduction in the stock of debt in net present value terms. Bulgaria also reached a number of bilateral rescheduling agreements. The Paris Club agreed on enhanced concessions in bilateral debt-restructuring agreements for low-income developing countries. Most of the options in the new terms provide for a 50 percent reduction in the net present value of the consolidated debt-service payments on nonconcessional bilateral debt. Benin and Nicaragua were the first countries to obtain the new terms. Debt-restructuring agreements, including officially supported debt-

Chart 6

Developing Countries, Eastern Europe, and the Former U.S.S.R.: External Debt and Debt Service



[1] Debt service refers to actual payments of interest on total debt plus actual amortization payments on long-term debt.

reduction operations, were concluded in 1991 with commercial bank creditors by Mozambique, Niger, and Nigeria. In addition, the Philippines reached a preliminary debt-restructuring agreement, and Paraguay reduced its commercial bank debt through a series of buy-backs at market-related discounts.

The total external debt of developing countries (excluding the use of Fund credit) increased by more than 4 percent during 1991 to $1,513 billion (Chart 6). This reflected a substantial rise in the external debt of Asia and the Middle East, as well as a considerably smaller increase in the debt of the developing countries in the Western Hemisphere. By contrast, the total external debt of Eastern Europe declined by 3¾ percent during 1991 to $105 billion, and that of the former U.S.S.R. was virtually unchanged at $60 billion. The share of official debt in the total external debt of developing countries, Eastern Europe, and the former U.S.S.R. rose slightly to 44 percent. Reflecting reduced borrowing, improved economic performance, and the impact of debt-reduction operations, the debt-to-GDP ratio for developing countries fell from 39 percent in 1986 to 32 percent in 1991. The improvement in debt-GDP ratios, however, has been only marginal in sub-Saharan Africa and some other small low-income countries.

The aggregate debt-service ratio of developing countries, Eastern Europe, and the former U.S.S.R. combined declined from 20 percent in 1986 to 14½ percent in 1991. This reflected a decline in the debt-service ratio—from 45 percent in 1986 to 31 percent—in 15 heavily indebted countries, several of which have benefited from the debt initiative proposed by U.S. Treasury Secretary Nicholas Brady. In contrast, the debt-service ratio has declined only slightly for small low-income economies, including sub-Saharan Africa. The debt-service ratio in Eastern Europe declined from 21½ percent in 1986 to 18½ percent in 1991, whereas in the former U.S.S.R. it rose over the same period from 6 to 16½ percent.

Policies and Activities of the Fund

The Fund's surveillance of its member countries consists mainly of regular assessments of their macroeconomic and structural policies and performance and Executive Board discussions of the world economic outlook. The Fund also extends financing to members with balance of payments problems and provides technical assistance to its members. During 1991/92, the Fund provided considerable technical and financial assistance to a wide range of countries, including countries in Eastern Europe seeking to transform their economies to market-based systems. It also provided pre-membership technical advice to the states of the former U.S.S.R. After May 4, 1992, when the membership of these states in the IMF had formally been approved by the Boards of Governors of the Fund and the World Bank, this assistance was broadened and extended.

The Fund's regular consultations with its members have stressed the need for corrective policies to adhere to a medium-term strategy aimed at sustained, noninflationary growth and at restoring consumer confidence. These discussions have also emphasized the need to reduce the public sector's absorption of global savings, tackle structural problems that limit growth, and promote an open world trading system. At the end of the financial year 1991/92, the Board expressed concern at the continued economic sluggishness in the industrial countries, but expected a more sustained recovery later in 1992 and in 1993. In the developing countries, the more widespread introduction of adjustment and reform programs had contributed to a stronger economic performance and outlook. These policies needed to be sustained, with the necessary financial support of the international community and improved access to the markets of industrial countries. In this connection, the industrial countries have a special responsibility to ensure a positive outcome of the Uruguay Round of multilateral trade negotiations. As for the former centrally planned economies engaged in transformation to market-based systems, the experience with reform in Eastern Europe has highlighted the need for a comprehensive approach to structural reform together with a decisive effort at macroeconomic stabilization. It is important to create, at the outset, the legal and institutional framework to encourage entrepreneurship, private enterprise, and competition. These lessons have important implications for the economic transformation of the states of the former U.S.S.R.

In recent years, the developing country debt strategy has evolved toward voluntary, market-based reduction of commercial bank debt, with the support as necessary of the international financial institutions, including the Fund. Official creditors have also provided increased concessional and nonconcessional relief, particularly for the poorest countries. However, it has been recognized that progress in implementing debt-reduction operations for low-income countries, especially those in sub-Saharan Africa, has been disappointingly slow. On the part of debtor countries, sound macroeconomic and structural reforms must be sustained in order to expand saving and investment and attract capital inflows.

In discussions related to the Fund's oversight over the international monetary system, the Board noted the system's evolution into a multi-currency one, with special responsibilities for the major currencies to serve as anchors against inflation. The Board also considered the implications of monetary unions and common currency areas for the international monetary system. It reaffirmed that international monetary stability requires, first and foremost, sound monetary and fiscal policies in all member countries. Stability could also be enhanced by reinforcing policy coordination among industrial countries.

1. Surveillance

The Fund is mandated to "exercise firm surveillance over the exchange rate policies of its members," which forms the basis of its oversight of the international monetary system. The Fund fulfills this mandate with the active participation of its members—through ongoing analyses of economic and financial conditions in member countries and through collaboration among all of its members on international monetary issues. Fund surveillance, or supervision, of the global monetary system is aimed at promoting the balanced growth of world trade and an orderly and stable system of exchange rates. At the individual country level, it is designed to help members identify the policy adjustments that may be needed to correct their balance of payments problems and thereby lay the foundation for sustained, noninflationary economic growth.

The Fund carries out its surveillance in two principal ways:

(1) *Consultations* are held with

Box 1

The IMF Executive Board, Interim Committee, and Development Committee

The *Executive Board* (the Board) is the Fund's permanent decision-making body. During 1991/92, the Board comprised 22 Executive Directors appointed by member countries or elected by individual countries or groups of countries. Chaired by the Managing Director, the Board usually meets several days a week to conduct Fund business. Prior to reaching decisions, Executive Directors discuss papers prepared by Fund management and staff. In financial year 1991/92, the Board spent more than half of its time on member-country matters (Article IV consultations and reviews and approvals of arrangements) and most of its remaining time on policy issues (surveillance and the world economic outlook, the Fund's income position and use of its resources, world monetary and capital market issues, and the debt strategy).

The *Interim Committee* of the Board of Governors on the International Monetary System is an advisory body made up of 22 Fund Governors, ministers, or others of comparable rank, representing the same constituencies as in the Fund's Executive Board. The Interim Committee normally meets twice a year, in April or May, and at the time of the Annual Meetings in September or October. It advises and reports to the Board of Governors on the latter's supervision of the management and adaptation of the international monetary system, considering proposals by the Fund's Executive Board to increase quotas or amend the Articles of Agreement, and dealing with sudden disturbances that might threaten the international monetary system; the Interim Committee also advises the Fund's Executive Board on these matters.

The *Development Committee* (the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries) has 22 members—Governors of the Fund and the Bank, ministers, or others of comparable rank—and generally meets in conjunction with the Interim Committee. It advises and reports to the Boards of Governors of the Bank and the Fund on all aspects of the transfer of real resources to developing countries.

each member country to ensure that members' domestic macroeconomic and structural policies—which have an important bearing on exchange rates—are conducive to sustained economic growth and price stability. (These consultations are referred to as "Article IV consultations" since they are mandated by Article IV of the Fund's Articles of Agreement, or charter.) A Fund staff team visits each member country regularly (usually, once a year) to collect economic and financial information and to discuss with the authorities their general economic strategy and policies, as well as prospects for the domestic economy and the member's balance of payments position. Such consultations are based on the conviction that strong and consistent domestic economic policies in each member country will lead to exchange rates conducive to balance of payments adjustment and a growing and prosperous global economy.

(2) *Multilateral surveillance* is conducted through Executive Board discussions of the world economic outlook twice a year. These world economic outlook discussions serve as a framework for assessing the interaction of the economic policies of the Fund's members—particularly the large industrial countries—and to discuss prospects for the international economy under various policy assumptions. They also allow for a cooperative and systematic monitoring of global economic conditions.

In addition to the two main mechanisms for surveillance, the Board periodically discusses exchange rate developments and financial market conditions in the major industrial countries, and assesses their impact on the world economy. Moreover, the Fund's Managing Director takes part in policy coordination discussions of the Group of Seven industrial countries (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States), to which he brings a global perspective that underscores the international repercussions of the policies of Group of Seven countries. The Board also periodically discusses the evolution of the international monetary system and its implications for world economic stability.

Apart from its surveillance function, the Fund extends financing to its members through a variety of mechanisms to make it easier to undertake corrective economic policies. It also provides technical assistance to members in a wide range of areas affecting the conduct of macroeconomic policy—such as public finance, central banking, exchange rate regimes, and statistics; such assistance is provided through advisory visits, training courses, and as part of periodic consultations. Recently, the Fund's technical assistance role has expanded substantially, mainly in connection with helping to transform the formerly centrally planned economies of Eastern Europe into market-based economies and in providing pre-membership technical advice to the states of the former U.S.S.R.

The Fund's involvement with the former states of the U.S.S.R. is expected to deepen with their prospective membership. At its April 1992 meeting, the Interim Committee welcomed the approval by the Boards of Governors of the Fund and the World Bank of the terms and conditions for membership of the states of the former U.S.S.R. A prompt implementation of strong macroeconomic and structural reforms, with the Fund's support, was seen as essential to help mobilize the substantial domestic and external resources required to achieve sustainable growth in these countries. The Committee called on the international community to provide adequate technical assistance and financial support for these stabilization and reform programs, and to help finance a stabilization fund for the ruble, provided that conditions were appropriate. It welcomed the readiness of the participants in the General Arrangements to Borrow to support activation of the arrangements to supplement the Fund's resources to finance the ruble stabilization fund.

The Committee was concerned that the increase in Fund quotas under the Ninth General Review of Quotas had not yet come into effect and asked all members that had not yet done so to complete urgently the necessary procedures.

Analytical Framework

The principles guiding the Fund's surveillance responsibilities are sufficiently general to allow it to express its views on a wide range of policies affecting a member's economy and the global economic environment. The principles—which are aimed at fostering consistent and disciplined policies on the part of member countries—have remained fundamentally unchanged over the years. The Board conducts biennial reviews, however, to ensure that surveillance is adapted to changing global circumstances.

At their last biennial review of surveillance, held in the second half of 1990 and in early 1991, Directors reaffirmed the central role of surveillance in promoting orderly economic and financial conditions and a stable system of exchange rates; they also underlined the Board's role in guiding its implementation. While acknowledging the broadened scope of surveillance and the important effect that structural developments have on a country's economic performance and policy formulation, Directors stressed the need to keep surveillance focused on the "core" macroeconomic issues vital to achieving reasonable price stability, sustainable balance of payments positions, and orderly economic growth.

During the review, the Board also stated that the world economic outlook exercise would continue to provide a multilateral framework for surveillance, and a basis for integrating the analysis of individual countries—especially of the major industrial countries—into a larger multilateral context. It was suggested that more be done to integrate analyses of groups of countries in order to address regional or cross-country issues. Ultimately, the Board concluded, the effectiveness of Fund surveillance has less to do with strengthening the principles of surveillance and more to do with the willingness of member countries to consider fully the views expressed by the international community—through the forum of the Fund—in formulating and adopting their macroeconomic and structural policies.

Article IV Consultations

Teams of Fund staff meet periodically with the authorities of member countries, in the member country, to collect and analyze a large volume of economic and financial data. This information allows the Fund to appraise the member's economic performance and policies, discuss policy options, and offer recommendations.

Consultations begin with Fund staff reviewing policies, institutional developments, and statistical data on all aspects of a member's balance of payments; capital flows; national accounts; government accounts; money and credit; and wages, prices, and interest rates. This review is followed by discussions with the authorities to evaluate the effectiveness of economic policies since the last consultation—and whether they contribute to a sustainable external position and noninflationary growth—and to advise how these policies might be modified in the future. The discussions include an evaluation of progress in eliminating any exchange and trade restrictions. On its return to headquarters, the Fund staff team prepares a detailed report containing its assessment of the country's performance and prospects. The report is, in most cases, discussed by the Board and a summary of the discussion, often containing suggestions about how to strengthen areas of policy weakness, is transmitted to the member's government.

Consultations help draw attention to the international implications of policies and developments in the economies of individual countries—especially the major industrial countries whose policies have a large impact on the global economy. They also keep the Fund informed of economic developments and policies in member countries, allowing it to respond quickly to member requests for Fund financing and to proposed changes in policies or practices that require Fund approval.

The exact nature of consultations is determined by the characteristics of the member country and the prevailing external economic environment. Apart from the Fund's general responsibility to oversee the exchange rate policies and balance of payments positions of member countries, in recent years, the following themes have been prominent:

- The need for macroeconomic policies to have a medium-term orientation directed toward sustained noninflationary growth.
- The need to raise public savings through cuts in unproductive spending.
- The importance of structural policies in enhancing economic performance. Structural policies are aimed at improving the functioning of economies by expanding productive capacity and output potential—through, for example, financial market and tax reform, privatization, and measures to achieve more flexible labor markets.
- The need for the industrial countries to support multilateral trade liberalization.

In principle, consultations with members are held annually. In 1987, the Board introduced the "bicyclic" procedure to reduce the frequency of Board discussions while preserving the quality of Fund surveillance. This procedure was modified in February 1991. Under the current bicyclic procedure, a consultation with a Board discussion occurs every second year. During the intervening year, the staff holds interim consultation discussions with the member and submits a report to the Board on these discussions. Unless an Executive Director or the Managing Director requests that the Board discuss the report, the interim consultation is completed without a Board discussion.

In 1991, the Fund stepped up the number of consultations completed with members, reversing a downward trend evident in the five preceding years. Last year, the Fund completed 119 consultations, including interim consultations under the bicyclic procedure, covering 74 percent of the membership; this compared with 108 consultations with 69 percent of the membership in 1990. Since the consultation coverage of industrial countries increased only slightly to 95 percent in 1991, the overall increase is attributable mainly to an increase in consultations with developing countries, notably those with arrangements in effect with the Fund, where the coverage rose sharply from 55 percent to 79 percent. This acceleration in the number of consultations stems in part from greater efforts to bring consultation discussions with country authorities to the consideration of the Executive Board; it also results from a bunching of reports at the end of 1990 for consideration in early 1991. Consultation activity in the first quarter of 1992 showed a shift in trend. Twenty-nine consultations were held in the first quarter, versus 35 in the year-earlier quarter. The decline was attributed partly to a temporary shift in consultation cycles decided by the Board in November 1991. In light of the large number of applications for Fund membership during the financial year—and the work involved in conducting pre-membership economic reviews for each of the states of the former U.S.S.R.—the schedule of Article IV consultations for certain categories of members was temporarily shifted. Certain members were shifted from the annual consultation cycle to the bicyclic procedure, while most members formerly on the bicyclic schedule were shifted to a cycle in which consultations take place every 24 months. The restoration of normal consultations is to be reviewed by the Board not later than November 1992.

Industrial Countries

United States

The U.S. economy continued to show mixed signals, but the recession appeared to have bottomed out at the time of the Board's September 1991 discussion of the U.S. consultation report. Directors anticipated modest growth in the second half of 1991 and a strengthening of economic momentum in 1992. They saw some risks to the outlook, including fragile consumer confidence, a credit crunch, and slow money growth, but they believed that these were more likely to dampen the pace of recovery rather than cause a relapse into recession.

A number of concerns clouded the medium-term outlook, in the Board's view. These included low national savings, with adverse implications for domestic investment, productivity growth, international trade, and the external current account; underlying inflation; and problems facing depository institutions. Also requiring attention, in the view of some Directors, was the state of the health-care sector. U.S. policies needed to address these problems to permit the economy to sustain growth over the medium term without significant recourse to foreign savings. The world economy was facing unprecedented challenges, Directors agreed, and its ability to cope with them depended heavily on the policies followed by the United States and other major industrial countries.

Directors noted the key role that fiscal correction must play in restoring U.S. national savings to adequate levels. They firmly believed that the achievement of the medium-term goal of eliminating the federal budget deficit without relying on social security surpluses, as set in the January 1990 budget, continued to be an appropriate guide for—and an essential goal for—U.S. fiscal policy. Failure to achieve this objective would likely mean a continuation of the U.S. national saving problem. To meet that fiscal goal, the most immediate task facing the U.S. authorities was to ensure that the budget agreement was implemented without slippages. Even full implementation of the agreement would leave much to be done, particularly in light of the upward revisions to the deficit path made in the mid-session review and the risk that the authorities' latest medium-term fiscal projections might be revised further upward. Directors saw a clear need to strengthen the credibility of fiscal policy, given the highly uncertain outlook for fiscal adjustment over the medium term. Some, regretting that action before the 1992 elections was unlikely, stressed the importance of fully exploiting the window of opportunity immediately after the elections to achieve substantial progress in fiscal consolidation.

As for measures that might help achieve the medium-term fiscal goal, the Board favored an emphasis on spending cuts, but felt that additional revenue measures would also be required. Possible revenue measures could include, in the view of many Directors, elimination of certain tax expenditures—particularly those that distort private saving and investment decisions—and further increases in excise taxes on gasoline or, more generally, on energy use, which would also address environmental concerns. A few Directors preferred revenue increases that relied on more broadly based taxes.

In the monetary policy area, some Directors considered that recent actions by the U.S. Federal Reserve to lower the federal funds rate further were justified given the hesitancy of the economic recovery and the slow growth of the broadly defined money supply (M2). Others, however, saw risks in these actions, citing in particular the difficulties of interpreting the behavior of M2 in the short run and also the relatively unfavorable recent performance of the consumer price index (excluding food and energy), which pointed to an underlying inflation rate of about 4 percent at the trough of the cycle. Some Directors were concerned about what they viewed as fine-tuning by the Federal Reserve.

Most Directors agreed that, as the recovery took hold and credit demands strengthened, the Federal Reserve should be ready to allow a reversal of the course of interest rates as warranted by the momentum of the upswing. Looking beyond the short run, the Board endorsed the Federal Reserve's goal of achieving price stability. To achieve this goal, the Federal Reserve's intention to continue reducing the underlying growth of the monetary aggregates was clearly appropriate. Many Directors felt that the task of monetary policy would be eased by progress on reducing the fiscal deficit, and by measures to increase the flexibility of markets and strengthen the financial system. The Board emphasized the importance of financial market reform along the lines of the U.S. Treasury proposals.

Directors agreed that the U.S. current account deficit would decline further this year—continuing a trend begun in 1988. They envisioned deficits ranging between 1½ percent to 1¾ percent of GNP over the medium term, compared with 2½ percent in 1988. Directors shared the authorities' concern that the persistence of deficits of such a magnitude would risk a debt buildup inimical to financial stability, as well as increased protectionist measures. They therefore emphasized the importance of U.S. action to raise national savings in order to build on the progress made in external adjustment, while achieving a satisfactory level of domestic investment. Commenting on exchange rate developments during the first three quarters of 1991, the Board felt that the dollar's movement had been orderly and that its level was not a cause for concern.

The Board welcomed the U.S. authorities' reaffirmation of their commitment to achieving freer world trade on a multilateral basis and of the priority they attached to a successful conclusion of the Uruguay Round. With respect to U.S. bilateral and regional trade initiatives, Directors thought that these could be beneficial; they cautioned, however, that such initiatives were not necessarily compatible with multilateral free trade and that, in carrying them out, care was needed to minimize adverse effects on third countries. A few Directors stressed that use of unilateral trade actions to open up foreign markets was always a matter of concern and called on the United States to reduce resort to such actions.

The Board noted the recent launching of the Enterprise for the Americas Initiative, whose goal was to encourage growth in Latin America and the Caribbean through actions in the areas of trade, investment, and debt. Directors emphasized that the success of these and other efforts in promoting sustained expansion in developing countries depended on a healthy development of the world economy and of international trade. In this connection, the major industrial countries had to follow sound policies and open their markets further.

On foreign aid, Directors were concerned about the recent low levels of official development assistance, relative to the size of the U.S. economy. They urged the authorities to increase ODA as a share of GNP.

Japan

At its July 1992 Article IV discussion of the Japanese economy, the Board welcomed Japan's success in containing inflation in the face of rapid expansion during 1987–90. Over the past year, however, economic activity had slowed and asset prices had declined from their speculative peaks. The key challenge facing the authorities was how best to resume stronger growth without renewing inflationary pressures. Maintaining an adequate growth rate would benefit Japan, which would in turn benefit the world economy.

Most Directors felt that the moderation in growth was mainly the result of a cyclical adjustment in private demand and expected growth to revive in the latter part of the year. With the degree of resource use remaining high and the importance of setting policy on a medium-term basis, a cautious approach to fiscal and monetary policies was considered appropriate. At the same time, the downside risks were recognized, particularly the uncertainties created by the sharp fall in asset prices. These Directors generally welcomed the authorities' readiness to consider policy actions later in 1992 should this become necessary. Several Directors were concerned about the prospective size of the current account surplus and saw a need for policy measures to ensure adequate growth of demand.

In assessing the conduct of fiscal policy, particularly in fiscal year 1991, Directors noted that a cyclical shortfall in tax revenues had led to some deterioration in the fiscal position, but they supported the authorities' decision to maintain budgeted spending despite lower revenues so as not to withdraw demand at a time of slowing growth. Most Directors endorsed the authorities' approach of waiting until the latter part of this year to determine if further measures additional to the frontloading of public works spending under way were needed to bolster demand, although several Directors believed that Japan's fiscal position provided scope for greater stimulus.

On the Japanese authorities' desire to preserve public savings in preparation for prospective fiscal pressures arising from the aging of the population, most Directors considered this an important issue for fiscal policy. A few Directors, however, took issue with the emphasis on accumulating public savings now to meet demands far into the future; moreover, the question was raised concerning the respective roles of the public versus the private sector in dealing with the impact of the aging of the population on the economy.

Directors noted the significant easing of monetary conditions during the past year. They thought this was warranted in light of the slowdown in output growth and the decline in inflation, and that financial market conditions should continue to reflect developments in demand. Most Directors believed that caution should be exercised in guiding interest rates further below their already low levels. A few Directors felt that the low inflation justified a more flexible monetary policy.

Directors cited the significant

widening in the current account surplus since 1990. Many noted that Japan's surplus was due to high private savings related to demographic influences; macroeconomic policies should therefore not be oriented away from domestic objectives toward reducing the surplus. A few Directors, however, thought that the external surplus would well exceed projections.

Many Directors cited the risks posed for financial stability by the decline in the stock market and the increase in banks' nonperforming loans but did not believe that this warranted a relaxation of financial policies. Although these Directors did not see an immediate threat to the financial system, they noted that the situation might change. Directors generally saw a need for continued efforts to strengthen the supervision of financial institutions, increase market transparency, and accelerate the liberalization of the bond market and the reform of the postal savings system.

The Board urged Japan to continue its strong efforts to implement structural reforms, particularly in the agricultural sector. With the Uruguay Round trade negotiations at a critical juncture, further actions by Japan in the trade area were particularly important. Directors were concerned about trade arrangements with elements of bilateralism and also managed trade. They also stressed the need for further significant steps in the areas of land management, reform of the distribution system, and competition policy.

The Board welcomed the high absolute amount of Japan's official development assistance, but hoped that Japan would make efforts to raise its level of assistance further, as a percent of GNP.

Germany

At its September 1991 meeting to discuss the German Article IV consultation, the Board commended the authorities for the speed of unification while acknowledging the remaining large structural and macroeconomic problems. The external surplus of Germany had disappeared, owing largely to the strong demand in the east, which also led to a 14-year record growth rate in west Germany; and the overall strength of German demand had helped support output growth throughout Europe. As of September 1991, the pace of activity had begun to moderate in west Germany, while the fall in east German economic activity appeared to have bottomed out. After some initial delays, privatization in east Germany had gathered momentum, investors faced fewer uncertainties, and substantial funds were earmarked for infrastructural investment.

At the same time, the fall in industrial output in east Germany was greater than expected and the prospects for restructuring the economy had been worsened by large wage increases. Little of the new capital needed to rebuild the east German economy had been put in place; the large fiscal transfers to the east had been used mainly to finance consumption. Unification, the Board recognized, had a major impact on macroeconomic policy. The sizable rise in public borrowing had further strained resources in an economy already operating at high capacity and put upward pressure on prices, thereby complicating the conduct of monetary policy. Moreover, future economic prospects for east Germany were unclear, and the implications for public finances and inflation in Germany as a whole may have heightened financial market uncertainty.

The Board was sensitive to the social dimensions of unification, but it was especially concerned that unrealistic wage settlements would worsen and prolong unemployment in east Germany. Directors rejected wage subsidies, which would impede the restructuring of labor markets by preserving employment in nonviable enterprises and by reducing incentives to develop human capital or launch new businesses. They believed that employment could be supported in a manner consistent with structural adjustment through the large infrastructural investment projects under way, through retraining, and by creating conditions conducive to private investment. The Board attached the highest importance to the authorities' discouraging unsustainable wage increases by making it clear that loss-making firms would not be sustained. Directors also urged reductions in labor market rigidities throughout Germany. The recent large wage awards in west Germany were inconsistent with conditions in the overall German labor market, and smoother operation of the labor market in the west would facilitate the absorption of workers from the east.

Directors acknowledged the need for investment incentives in view of the uncertain investment climate. But they cautioned against these incentives becoming entrenched and a few thought that they were too generous. Directors welcomed the substantial pick-up in the pace of privatizations since the start of 1991 and they hoped to see it continue. It was important to avoid protracted official involvement with firms that were difficult to sell as this risked slowing the reform process, sending the wrong signals to the labor market, and creating uncertainty about public finances.

The Board welcomed the authorities' commitment to strengthening public finances but saw a need for a clearer and broader enunciation of a medium-term budget strategy. Directors were concerned about Germany's uncertain fiscal prospects. Much of the burden of fiscal adjustment had been placed on revenues, and spending had to be controlled in the coming year—with special attention to subsidies in west Germany. The high level of subsidies concentrated in a few sectors—including coal mining and agriculture—was inappropriate and wasteful of scarce resources.

Directors attributed the worsening price performance to high wage awards in west Germany in 1991, the depreciation of the deutsche mark in the first half of 1991, and the rise in indirect taxes. They supported the progressive monetary tightening during the preceding year. The Board was concerned, however, that monetary policy might bear too heavy a burden, and Directors noted that uncertainties in financial markets could have undesirable effects on prices and on medium-term supply potential, both in Germany and for its partners in the exchange rate mechanism (ERM) of the European Monetary System (EMS). They emphasized that policies that fostered confidence in prospects for fiscal consolidation, and for east Germany, would help avoid market uncertainties and make it easier to sustain the deutsche mark's role in Europe. Although some Directors thought that other currencies could join the deutsche mark as an anchor of price stability in the EMS, none believed that this would diminish the central importance of the German currency as a stabilizing influence or of the Bundesbank's responsibility in fighting inflation.

On structural policy, the Board emphasized that actions to reduce rigidities in Germany as a whole—whether in the form of subsidies, regulations, or trade restrictions—would promote more efficient resource allocation and aid east German restructuring. Such measures would also help increase export opportunities for nonindustrial countries, especially the reforming economies of Eastern Europe. Indeed, it was felt that Germany, as a major trading nation, should take the lead within the European Community (EC) in promoting trade policy liberalization. In this connection, Directors singled out agriculture, where progress was critical to a successful conclusion of the Uruguay Round. A few urged the authorities to eliminate as soon as possible the exchange rate insurance scheme for the aircraft industry in Germany.

The Board commended the authorities on their continued commitment to official development assistance, despite the new claims on German resources posed by east Germany and Central and Eastern Europe.

France

At their September 1991 discussion of the French economy, Directors stressed that, as in several other countries, economic growth had slowed significantly since the last consultation, unemployment had increased, and the public finances had weakened. At the same time, they cited the significant economic rebound in the second quarter of 1991 and agreed that the prevailing difficulties did not warrant a deviation from the medium-term strategy of disinflation and structural adjustment pursued consistently and successfully since the early 1980s. That strategy had led to fundamental improvements in the French economy. Inflation had slowed, and was lower than in Germany for the first time in nearly two decades; output, employment, and investment had strengthened; the external deficit was contained; and confidence in the French franc had improved, contributing to a significant narrowing of interest rate differentials favoring deutsche mark assets.

Most Directors strongly supported the medium-term orientation of monetary policy and its focus on disinflation in the context of an unchanged parity for the franc vis-à-vis the deutsche mark. A few Directors wondered, however, whether continued stress on disinflation was still justified—citing the short-term effects of high real interest rates on investment and employment. Directors broadly agreed that macroeconomic adjustment and structural reform had not yet come to term. Much remained to be done, especially in the labor market, where unemployment was well above that in Group of Seven partner countries. In addition, the public sector remained relatively large—giving rise to comparatively high taxes with disincentive effects on work effort and investment—and competitiveness needed strengthening. The Board believed it was essential to reinforce the medium-term strategy to address the remaining weaknesses and help realize the full potential of the French economy.

On fiscal policy, Directors stressed that the focus should be on curbing spending. While progress had been made in reducing the size of the central government, a medium-term strategy was also needed to curb social security spending and to limit the expansion of local governments.

Directors expressed concern that structural issues—including tax reform, wage rigidities in the labor market, and protectionist tendencies in product markets—were not being addressed with sufficient determination. The existing system of direct taxation was unnecessarily complex and marked by distortions, particularly in the labor market. The Board welcomed recent measures to reduce distortions in the system of social security contributions and to achieve convergence of the various rates applying to taxation of corporations. More far-reaching tax reforms were needed, however, for both efficiency and equity reasons, including a thorough and broad reform of the personal income taxation system.

There was some sympathy in the Board for the French authorities' concern about the high level of interest rates, but most Directors believed that this was unavoidable and that the maneuvering room for lowering rates was very limited. A firm interest rate policy conducive to strengthening the franc's position in the narrow band of the EMS was seen as necessary to allow the franc to share in the anchoring role within the EMS and to eliminate any inflation risk premiums relative to deutsche mark assets.

The renewed rise in unemployment called for continued wage moderation and a better functioning of the labor market. A removal of labor market rigidities would allow wage costs to be brought into line with productivity, notably for the young and unskilled. With respect to product markets, concerns were expressed on some sectoral aspects of trade policy and their compatibility with multilateral trade liberalization. Some Directors took exception to the view that the reform of the EC's Common Agricultural Policy (CAP) should be delinked from the Uruguay Round. The Board called instead on France to strengthen competition, partly through further privatization; to play a key role in helping reform the CAP; and to commit itself to opening up trade in such areas as automobiles and electronics. Directors commended the French authorities for their strong record on official development assistance.

United Kingdom

At their February 1992 meeting to discuss the U.K. economy, Directors noted the considerable progress made in reducing inflation over the preceding year. The key element had been the pursuit of restrained financial policies, both before and after the United Kingdom's October 1990 entry into the exchange rate mechanism of the EMS. In particular, the authorities had reduced interest rates cautiously since October 1990; this had led to gains in credibility, as manifested in the significant narrowing of interest rate differentials with partners in the ERM. Despite this progress, underlying inflation remained relatively high and above that projected over the medium term for the low-inflation members of the ERM.

The Board anticipated a slower pace of economic recovery in the United Kingdom than had been expected at the time of the official U.K. forecasts published in November 1991. (The official forecast for GDP growth in 1992 was subsequently revised downward in the March 1992 budget.) Although concerned about the continued weakness of the recovery, most Directors felt that the main goal of economic policy should remain the achievement of rapid convergence of U.K. inflation to that of its low-inflation ERM partners.

The Board commended the authorities' prudent management of public finances in the context of the medium-term financial strategy. Fiscal policy adjustment over the past several years had supported the monetary policy stance, which was aimed at achieving price stability. A number of Directors cautioned, however, that the persistence of a large public sector borrowing requirement (PSBR)—although largely cyclical in nature—over the next few years would raise questions about the authorities' commitment to balancing the budget over the course of the cycle. They saw little scope for any further loosening of the fiscal policy stance, especially in light of the discretionary increases in public spending announced in the fall of 1991, and given the need to maintain the credibility of the exchange rate commitment and to reduce underlying inflation further. On the other hand, some Directors felt that the substantial slack in the economy reduced immediate inflationary risks, which inclined them to support a lesser degree of fiscal restraint, especially if the weakness in growth continued.

Following the substantial reduction in public spending that had occurred earlier in the 1980s, public spending relative to GDP had risen over the preceding three years and was not expected to decline in the short run. Directors supported the authorities' longer-run goal of containing the growth of public spending, in order to provide scope for further tax cuts. A number of Directors questioned whether increased public spending might not be warranted in certain areas, such as manpower training and infrastructure. The Board commended the authorities' privatization program and supported the authorities' further plans in this area.

A number of Directors noted that the United Kingdom intended to move to the narrow exchange rate band of the ERM in due course. They concluded that this could enhance the credibility of the authorities' resolve to sustain low inflation. Although some Directors felt that such a move should be implemented soon, others thought that entry into the narrow band while exchange markets remained volatile might lead to undue changes in interest rates.

The Board noted the major structural reforms adopted over the past decade by the U.K. authorities, which were aimed at reducing distortions and improving the functioning of markets. They supported the authorities' overall approach to bolstering the supply side of the economy, noting that it should in time yield considerable economic growth dividends. Some Directors saw a need for additional labor market reforms to minimize the costs of disinflation. Such reforms, these Directors believed, might focus on training programs and on other measures to reduce long-run unemployment.

Directors welcomed the United Kingdom's commitment to a liberal trading system and to the successful conclusion of the Uruguay Round. They encouraged the authorities to continue, within the EC, their efforts to foster open markets and to work toward more market-oriented agricultural policies. Directors also appreciated the large proportion of direct grants under the United Kingdom's official development assistance program and its efforts to lighten the debt burden of the developing countries, in particular through the 1990 Trinidad initiative on official debt reduction for low-income countries put forward by the U.K. Chancellor of the Exchequer.

Italy

At its January 1992 meeting on Italy, the Board cited the economy's deteriorating performance in 1991, compared with the more favorable trends of previous years. Output growth had slowed markedly, investment had decelerated, and exports had stagnated, reflecting a deterioration of external demand and past losses in competitiveness. Despite the deceleration of aggregate demand, the external current account remained in deficit for the fifth consecutive year and the process of convergence to the inflation rates of the low-inflation EC countries came to a halt. On the fiscal front, the outcome had once again fallen short of target; the narrowing of the primary deficit in 1991 was largely attributable to measures with only temporary effects; and progress in reducing the underlying imbalance remained insufficient.

Directors commended the Government's commitment to participate fully in European economic and monetary integration, as specified in the Maastricht treaty on economic and monetary union. They cautioned that the degree of divergence in Italian economic performance at present, and the timetable set in the Maastricht treaty, called for determined policy action over a number of years, requiring a fundamental political and social consensus. The targets included in Italy's medium-term convergence program were a minimum requirement that would need to be pursued whatever the underlying macroeconomic developments.

The Board was concerned that the measures envisaged in the 1992 budget—the first under the convergence program—appeared insufficient to achieve the budget targets. The measures again relied too heavily on temporary remedies and on intervention affecting the borrowing requirement, rather than addressing the underlying public sector deficit.

Directors welcomed the adoption of structural measures aimed at improving tax administration and broadening the tax base. At the same time, they urged rapid implementation of fundamental structural reforms in the areas of health services, pensions, and public sector employment. The progress made toward privatization was welcomed, but the sale of public assets was to be seen as a means of reducing public debt and not as a substitute for fiscal adjustment over the long run.

The failure to reduce the differential vis-à-vis the low-inflation EC countries was a source of concern. The maintenance of the peg vis-à-vis those countries' currencies had initially been instrumental in reducing inflation, but had not been sufficient in recent years to induce further nominal convergence. The Board, therefore, underlined the conflict that would eventually arise between the commitment to exchange rate stability and inflation convergence in the absence of early progress on reducing inflation significantly. In this connection, Directors emphasized the need for a broadly based anti-inflation policy.

The Board stressed the particular importance of wage moderation. Most Directors welcomed the linking of public sector wage increases to the inflation targets and the agreement on incomes policies for 1992, reached between the Government and social partners. While some Directors called for efforts to consolidate the gains in incomes policy, others were skeptical. Directors agreed, however, that aside from tight financial policies, structural measures spurring competition, productivity growth, and labor market flexibility should help reduce cost pressures while lowering unemployment over the medium term. Directors welcomed the Bank of Italy's newly granted autonomy in setting the discount rate; they hoped for additional steps to strengthen further the Bank's independence.

The authorities were urged to play an active role in seeking to promote an early conclusion of the Uruguay Round and to reverse the recent decrease in Italy's official development assistance.

Canada

The pace of economic recovery in Canada weakened in the latter part of 1991, after relatively rapid growth in the first half of the year. But the substantial fall in interest rates and the sharp drop in inflation set the stage for stronger growth in 1992. These were the main features of the Canadian economy at the time of the February 1992 Board discussion. At that meeting, Directors stressed the need to keep policies geared toward fiscal consolidation and price stability to enhance prospects for sustained, noninflationary growth over the medium term. They also encouraged the authorities to build on their accomplishments in the area of structural reform by phasing out remaining distortions affecting domestic markets and foreign trade.

Directors commended the authorities for adopting fiscal adjustment measures despite difficult economic circumstances. The federal fiscal situation remained a concern, however, owing to the large deficit and high and rising level of debt. It was crucial for the authorities to safeguard their hard-earned credibility by persevering in their efforts to reduce the deficit and arrest the rise in the debt-to-GDP ratio, in keeping with the medium-term objectives set in the February 1991 budget. The recent weakening of economic activity had put considerable pressure on the fiscal position. Still, the authorities had reaffirmed their commitment to the medium-term fiscal strategy, and Directors strongly supported the Government's intention to reduce the federal deficit significantly in 1992 and beyond. There was concern about the deterioration in the finances of the provincial, local, and hospital sectors, and Directors underlined the importance of the proposals for fiscal harmonization and coordination of provincial policies within a national framework.

Board members agreed that monetary policy could best promote the goal of sustainable growth by helping to achieve and maintain price stability. They welcomed the joint announcement by the Government and the Bank of Canada of a target path for inflation reduction; such a preannouncement underscored the need to avoid slippages. Although inflation had come down rapidly and the economic slack was substantial, several Directors felt that any further monetary easing should be undertaken with caution, if at all, to ensure that inflationary pressures were not revived. The Board, however, also noted the persistent strength of the Canadian dollar, even as interest rates declined, and several Directors believed that excessive monetary caution might pose risks for growth prospects. They thought there might be room for some gradual easing without hampering the credibility gained by the central bank. To sustain the improvement in price performance, even as profit margins recovered from their depressed levels, a significant decline in the rate of wage increase was required.

Several Directors felt that the attainment of the full benefits of firm domestic policies might be facilitated by greater nominal exchange rate stability. The difficulties of defining such an objective, however, were recognized.

Directors commended Canada's major structural reform initiatives, including the introduction of the goods and services tax; the proposals to eliminate interprovincial barriers to the flow of factors, goods, and services; and the modification of the unemployment insurance system. Several Directors emphasized the need for a further reform of the unemployment insurance system and the labor market to help lower unemployment and moderate wage pressures. Differences in regional rates of unemployment pointed to the persistence of labor market rigidities and obstacles to interprovincial labor mobility.

The Board emphasized the importance of Canada's active support of the Uruguay Round negotiations. A successful outcome to the Round would yield substantial long-term benefits for the Canadian economy, including the agricultural sector. Directors welcomed Canada's record on official development assistance (ODA), notwithstanding the apparent need in recent budgets to reduce planned ODA spending.

Smaller Industrial Countries

Consultations with the smaller industrial countries during 1991–92 sounded themes similar to those with the major industrial countries. These included the need to keep growth-oriented macroeconomic policies on a medium-term path and to sustain or intensify structural reforms. In most cases, this meant giving priority to fiscal restraint, price stability, and deregulation to ease rigidities that limited the economy's growth potential. For the smaller European countries, the Maastricht treaty on economic and monetary union reinforced the need to pursue monetary and fiscal discipline to achieve the policy convergence objectives of the accord, while the EC's single market program required harmonization of certain structural policies.

For the smaller industrial countries experiencing varying degrees of recession, Board discussions generally emphasized the need to strike a balance between some easing of policy in the face of economic weakness and sticking firmly to medium-term strategies aimed at sustained, noninflationary growth. Some countries had managed to maintain growth, thanks to a sustained pursuit of sound adjustment policies. Still, nearly all countries required further reductions in fiscal deficits, preferably through cuts in unproductive public spending. In some cases, this would allow scope for lowering income taxes. Many countries were advised to curb social spending. The pace of inflation remained a concern in several countries, notwithstanding progress already made on that front, and saving and investment needed reinforcing. Some countries had to reduce current account deficits to contain the growth of external debt.

On the monetary front, although some Directors favored an easing of monetary conditions for countries in recession, there was greater support for retaining a monetary policy aimed at price stability over the medium term, especially for countries that were—or planned on being—members of the EMS. A number of countries were urged to grant more autonomy to the monetary authorities so that they could better fight inflation and help strengthen the financial system. With respect to exchange rate policy, many countries were commended for pursuing a stable exchange rate. Using the exchange rate as a nominal anchor, however, could succeed only if accompanied by disciplined macroeconomic policies and suitable structural reforms.

On structural issues, many of the smaller industrial countries had undertaken substantial reforms to reduce impediments to economic activity and increase their economy's supply potential; these included liberalization of financial markets and tax systems, reductions in subsidies, and actions to open up the external sector. Nonetheless, structural rigidities persisted in nearly all countries. These were most apparent in labor markets, where further reforms were needed to improve flexibility and responsiveness to changes in demand. To enhance the functioning of labor markets, the Board often called for public sector wage restraint; more emphasis on training and job placement, rather than income supports; reduced spending on unemployment compensation; and higher rates of participation (for example, by women). In other areas, Directors supported a range of reforms, including additional price decontrol; further tax reform, including a broadening of tax bases; reform of state enterprises or a stepped-up pace of privatization; further reduction of subsidies; and measures to enhance domestic and external competitiveness.

Some of the smaller industrial countries were commended for their favorable record on official development assistance, while others were asked to boost their assistance.

Developing Countries

A broad range of developing countries—from newly industrialized to low-income—were commended by the Board during their Article IV consultations for having made significant strides with macroeconomic and structural reforms since the mid-1980s, many with the financial support of the Fund. The adjustment and reform programs increasingly implemented by developing countries had contributed to signs of strengthening economic performance in 1991–92. Some developing countries, however, had experienced difficulties in stabilizing their economies as well as in expanding output growth, owing partly to an unfavorable external environment and to slippages in policy implementation. Growth rates were in some cases insufficient to reduce unemployment and alleviate poverty; at the same time, in many countries, inflation remained high and balance of payments positions became vulnerable to external shocks. The Board encouraged these countries to regain lost ground, or reinforce gains, by improving macroeconomic and structural policies and sustaining these improved policies over the medium term. A few developing countries required sweeping adjustment efforts to deal with the effects of social and political tensions, as well as natural disruptions, and several were commended for adhering to adjustment goals despite these disturbances. Some others were experiencing overheating of their economies and needed to dampen domestic demand to curb rising inflation and widening balance of payments deficits.

Most developing countries required further macroeconomic and structural adjustment—or a faster pace of adjustment—to varying degrees. Improved macroeconomic policies were often needed to reduce inflation, to raise domestic saving and investment, and to attract capital inflows; generally improved structural policies were needed to give wider scope to market forces in allocating resources. Virtually all countries had to give priority to reducing fiscal deficits over the medium term, notwithstanding progress already achieved in many. In some cases, front-loaded measures to reduce large fiscal imbalances were needed to restore confidence. As in the industrial countries, Directors believed that reductions in fiscal imbalances should be made mainly through cuts in unproductive public spending—including subsidies, transfers to public enterprises, and the military. In this connection, a large number of countries had to reassess the size and role of the public sector; civil service wage bills often represented a sizable portion of public spending and civil service reform was needed. Many countries—especially those with inadequate infrastructures and public services—had to supplement spending cuts with measures to expand domestic revenues and strengthen tax collection.

Although numerous developing countries were commended for pursuing prudent monetary policies, the need for firmer monetary restraint was widespread. It was necessary to contain inflation and promote domestic saving—in support of a tighter fiscal stance. Countries were frequently advised to curb credit growth and maintain positive real interest rates to deal with high inflation, and generally to give market forces more of a role in determining the level and structure of rates. The elimination of domestic price controls was a theme echoed in several discussions; for some, this was especially important in the energy area. A number of countries needed to eliminate indexation clauses in wage contracts.

Developing countries generally had undertaken significant structural reforms to increase the supply of productive resources and enhance economic efficiency and competitiveness, but deficiencies persisted in some areas. Structural reforms were sometimes needed to break from the past tradition of heavy state intervention in the economy. Although many countries had adopted tax reforms and some had introduced new taxes, there was a widespread need to reform tax codes, broaden tax bases, and strengthen tax administration. A large number of countries had acted to reform their financial sectors to reduce the cost of financial intermediation and stimulate private investment, but further efforts in this area were frequently required. Reforms included rationalizing prices and interest rates, as well as restructuring financial institutions, enhancing their autonomy, and strengthening their supervision. The need to restructure or privatize public enterprises was widely shared. Many countries had also to reduce labor costs and increase labor market flexibility; some had to invest more in human resources, owing to a shortage of skilled labor. The need to liberalize foreign direct investment rules and develop more liberal and transparent regulatory systems was widely shared. Many countries required policies that would diversify their economies' output and exports without introducing distortions. Others had to increase the quality of their public investment projects and monitor their implementation more closely. Directors generally underscored the need to move quickly in adopting structural reforms; if reforms were implemented too gradually, "adjustment fatigue" might set in before the benefits of reform could take hold. Social safety nets are increasingly becoming an important component of countries' efforts to shield the most vulnerable segments of their populations from the short-term effects of corrective policies. And in several instances, the Board acknowledged the desirability of environmental protection as an element of overall adjustment plans.

On the external front, a large number of countries were commended for initiatives to reduce exchange and trade restrictions, to promote greater competition and encourage fuller integration into the world economy. These countries were generally advised to continue or step up these actions. The balance of payments in many countries, however, remained vulnerable to external developments. Some countries were saddled with large external deficits, which were adding to external debt. Current account deficits in a few countries were not a cause for concern, as they were associated largely with sound policies and a heavy inflow of foreign direct investment. In these cases, investor confidence had to be maintained through the continuation of sound policies.

Several developing countries had to eliminate arrears to external creditors. Those in arrears were urged to work toward normalizing relations with external creditors. A few countries were commended for effective debt management and for reducing arrears, while others needed debt relief. Restoration of a satisfactory balance of payments generally required determined implementation of adjustment policies over the medium term. This would help some developing countries regain access to voluntary market financing. For most low-income countries, substantial financial support from the international community, on concessional terms, would continue to be necessary. All developing countries required improved access to industrial country markets.

Exchange rate policy continued to be an important component of Article IV discussions with developing countries. The Fund's advice in this area depends on the circumstances of each country. In many discussions, some Directors favored flexible policies aimed at raising exports and advancing external adjustment, while others preferred an exchange rate policy that reinforced domestic policies aimed at price stability. It was frequently noted that the success of exchange rate policies depended ultimately on the support of sound fiscal and monetary policies. Tight macroeconomic and incomes policies geared to reducing inflation supported by structural adjustments to spur growth were the best means of assuring external competitiveness on a lasting basis, and within such a framework, a move to exchange rate stability would reinforce the process. In some countries, exchange rate policy needed to be addressed in a regional context, taking into account possible competitive exchange rate adjustments in neighboring countries. A few countries were urged to unify exchange rates at a realistic, market-determined level.

Finally, in order to better guide policymakers in reformed economic environments, a number of countries were asked to improve the quality, coverage, and timeliness of their economic and financial data, in some cases with technical assistance from the Fund.

The Fund and Eastern Europe

The pace of change in Eastern Europe throughout 1991 and early 1992 has been unprecedented. Far-reaching programs of reform and stabilization have been adopted in Bulgaria, the Czech and Slovak Federal Republic, and Romania. Hungary and Poland, which had already embarked on the systemic transformation from centrally planned to market-based economies, broadened their reform efforts. And Albania, which joined the Fund in 1991, began the process of integration into the world economy.

These steps have been undertaken in the face of a difficult economic environment. Trade volumes dropped dramatically among the former members of the CMEA, triggered in part by the drop in demand from the former U.S.S.R., while the simultaneous switch of trade to world prices with settlement in hard currencies caused additional terms-of-trade losses. These adversities, together with both the rigors of economic reform and some slippages in implementation, contributed to larger-than-expected declines in output throughout the region. Seen in this context, the overall record achieved during this first stage of the reform process in Bulgaria, the Czech and Slovak Federal Republic, Hungary, Poland, and Romania is both impressive and encouraging.

During the period May 1, 1991 to May 31, 1992, the Fund held consultations with the following four Eastern European countries: Bulgaria, the Czech and Slovak Federal Republic, Hungary, and Romania.

Bulgaria

In their April 1992 review of Bulgaria, Directors commended the authorities on the achievements of the first year of their economic reform efforts, particularly with respect to stabilization. Prices and interest rates were liberalized, the economy was opened to international trade, and private sector activities began to develop. Despite greater uncertainties and constraints than anticipated, progress was nevertheless made in containing inflation after the price liberalization, as well as reconstituting international reserves.

Directors noted the high domestic adjustment costs of the first year of reform in Bulgaria. Although they recognized that the external environment had been an important factor in these developments, Directors drew attention to certain policy areas where efforts had slackened, noting in particular that the pace of structural reform had slowed in the second half of 1991. Moreover, the accommodation of wage pressures that arose in the last quarter of 1991 had impeded further progress in the fight against inflation.

Regarding fiscal policy, the sizable adjustment required over the medium term indicated the need for further efforts to contain the growth of noninterest expenditures, to reform a still large social security system, and to improve tax administration. Turning to structural reform, Directors underscored the importance of quick and bold action to clarify property rights and restructure the financial sector. With respect to the balance of payments situation, Directors observed that the overall financing requirement remained large and underscored the need for disbursement of the amounts of exceptional financing already committed in 1991. The Board recognized that the transformation of Bulgaria's economy into a well-functioning market economy would be a prolonged process, requiring not only perseverance in domestic policies but also substantial financial assistance from abroad for an extended period.

Czech and Slovak Federal Republic

In their review of the economic and financial situation in Czechoslovakia in April 1992, Directors commended the authorities for the successful implementation of a sweeping reform program and the impressive results achieved so far. The virtual stabilization of prices in the second half of 1991 was credited by the Board as having been a singular achievement. In view of the balance of payments situation, Directors supported the combination of restrictive fiscal, monetary, and incomes policies, and the use of a fixed and realistic exchange rate as a nominal anchor. While welcoming the steadfast implementation of these policies during the first three quarters of 1991, Directors noted the sizable fiscal deficit in the last quarter. Nevertheless, the stabilization objectives for 1991 were achieved, and corrective actions to restore the fiscal position had been taken.

Turning to 1992, Directors appreciated the considerable uncertainties surrounding economic prospects. Stabilization successes of 1991 had to be consolidated, and Directors voiced support for the authorities' continued commitment to an anti-inflationary policy stance. Directors further commended the authorities' intensified efforts at institutional and systemic reform. Directors noted that the resolute and innovative way in which the authorities had embarked upon large-scale privatization, but cautioned that there were some potential risks in the strategy. Welcoming progress in establishing a modern banking system, Directors nevertheless observed that the weak balance sheets of the commercial banks remained an obstacle to efficient intermediation. Despite uncertainties, the Board expressed its confidence that Czechoslovakia's bold reform efforts would lay a sound basis for sustainable growth.

Hungary

In their review of the economic and financial situation in March 1992, Directors welcomed the favorable effects of Hungary's comprehensive program of economic reform. Despite severe disruptions of trade with former CMEA partners, the rapid growth of private enterprises and the strong expansion of exports to Western markets had limited the contraction of output. The external accounts had shown remarkable improvement, strengthening significantly perceptions of Hungary's creditworthiness. To maintain this positive momentum, Directors strongly urged the authorities to give the highest priority to achieving a further, and lasting, reduction in inflation. The Board further emphasized that fiscal discipline was the linchpin of policy, and they accordingly expressed concern about the weakening in the fiscal accounts in 1991 and the accumulation of arrears in social security contributions. Taking note of the weaker-than-expected performance in the first two months of 1992, Directors stressed that budgetary developments would have to be monitored closely throughout the year.

Directors noted that Hungary's exchange rate policy was intended to give greater weight to strengthening domestic and international confidence in its commitment to restore and maintain price stability. Directors cited Hungary's growing reputation for creditworthiness in international markets, and its improved access to financial markets. Several nevertheless stressed that policies should ensure that any widening of the current account deficit in 1992 and beyond would remain moderate. Noting previous efforts to carry forward structural reforms, Directors commented on the slower-than-anticipated pace of privatization. They accordingly welcomed recent steps to simplify and accelerate this process.

Romania

In their May 1992 review of Romania, Directors commended the authorities' determined adjustment efforts in difficult circumstances, noting in particular the delays and shortfalls in external financing, the breakdown of CMEA trade, and the deterioration of Romania's capital stock. Directors noted that the initial phase of Romania's reform program had resulted in important achievements. Most prices have been liberalized; all quantitative restrictions on imports have been removed; flexibility in the labor market has been introduced through collective bargaining; the financial system has been deregulated; the privatization process has been initiated; and citizens can establish businesses, compete freely in the market, and acquire and dispose of property.

Directors expressed concern, however, that the results on the stabilization front had been considerably below expectation. Output and international reserves were much lower and the rate of inflation much higher during the past year than had been expected. While the more adverse external environment had been an important factor in these developments, they drew attention to certain policy areas where efforts had slackened, in particular the failure to restructure the enterprise sector. Also, financial policies had been prematurely eased toward the end of 1991.

Against this background, Directors welcomed the authorities' intention to strengthen their reform and stabilization effort in the context of the program for 1992. Directors stressed the importance of adhering to the Government's fiscal objectives. Directors further agreed on the need for tight credit policy in 1992. The Board stressed the important role of wage policy as a nominal anchor to contain inflation and emphasized that the authorities should be prepared to tighten wage policy during the year if needed. One of the more important lessons of 1991, in the Board's view, was that enterprise reform is the key to both the successful transformation of the economy and the achievement of macroeconomic stability.

The Fund and the States of the Former U.S.S.R.

The Fund monitored economic developments in the states of the former U.S.S.R. throughout 1991 and early 1992. On October 5, 1991, the Fund and the then U.S.S.R. signed an agreement establishing a Special Association. This temporary arrangement made Fund policy advice and technical assistance immediately available to the U.S.S.R. and individual states that then constituted the U.S.S.R. The Baltic states, which had already been recognized as independent of the U.S.S.R., were not included in the Special Association. Through

Box 2

Chronology of the Fund's Relations with the Former U.S.S.R.

July 1944: The U.S.S.R. participates in the Bretton Woods Conference, but ultimately decides against joining the Fund.

1945–89: Occasional and informal contacts between Fund and U.S.S.R. representatives take place.

July 1990: The Fund is asked to convene the Joint Study on the Soviet Economy for the Group of Seven, to be carried out in conjunction with the World Bank, the Organization for Economic Cooperation and Development (OECD), and the European Bank for Reconstruction and Development.

December 1990: The Joint Study's recommendations are made public.

October 1991: The Fund and the U.S.S.R. establish a Special Association.

November 1991–April 1992: The Fund develops closer links with, and undertakes economic studies of, all 15 states of the former U.S.S.R.

April 1992: The Fund's Executive Board completes pre-membership economic reviews of the 15 states, announces the quota calculations for each state, and submits Membership Resolutions to the Board of Governors proposing that all of them be admitted to membership. The Board of Governors agrees to admit 14 states of the former U.S.S.R. as members.

May 1992: The Board of Governors agrees to admit Azerbaijan, the fifteenth state of the former U.S.S.R.

this work, the groundwork was prepared for membership of these states in the Fund. Now that most of these states are Fund members, the Fund is working with the Government of the Russian Federation and the other national authorities on far-reaching economic reform programs.

From November 1991 through April 1992, the Managing Director and the Deputy Managing Director of the Fund delivered a series of reports to the Board on economic performance in the states, the progress of their various reform programs, and Fund activities throughout the region. In his December report, the Deputy Managing Director described both the findings of a Fund mission to the former U.S.S.R. and the demands that would be placed on Fund resources by the various states. The Fund's role in fostering reform in the states of the former U.S.S.R. was also discussed by the Managing Director in a December presentation to the Board.

In a report to the Board in January 1992, the Managing Director focused on the course of Russia's reform program and the emergence of several broad methodological issues bearing on the membership applications of the states of the former U.S.S.R. In the first of two February reports, the Managing Director indicated that Fund missions had been explaining the implications of membership to authorities in the various states. He also provided an update on the progress of Russia's reform and stabilization program, devoting special attention to price liberalization. Later in the same month, the Managing Director described the contents of the draft Memorandum of Economic Policies, which reflected the consensus reached among the Fund staff and the authorities. This memorandum expressed the Russian Government's intention to implement a bold structural reform and economic stabilization program, and to cooperate closely with the other former U.S.S.R. states.

In April 1992, the Managing Director conveyed to the Board the staff's assessment of the external financing requirements of the states of the former U.S.S.R. Given the magnitude of the task at hand, he observed that exceptional efforts would be required by official creditors, as well as by bilateral and multilateral donors, to address the financing needs of the former states without crowding out financing for Eastern European and developing countries that are implementing appropriate policy adjustments.

Between September 1991 and March 1992, Fund missions visited Russia and each of the other states of the former Soviet Union to review economic and policy developments, and to discuss the procedural and legal steps necessary for membership. By April 1992, the Board had submitted Membership Resolutions to the Board of Governors of the Fund proposing that all 15 of the states be admitted to membership. The Board of Governors agreed in April to admit 14 of the states of the former Soviet Union; membership of the fifteenth (Azerbaijan) was agreed on May 4, 1992.

Pre-Membership Economic Reviews

During March and April 1992, the Executive Board conducted pre-membership economic reviews of the conditions in each of the states of the former U.S.S.R. As background for the discussions, Directors had before them pre-membership review papers for each of the states, as well as papers surveying the economy of the former U.S.S.R. in 1991 and common issues and interrepublic relations; these papers were subsequently published by the Fund. The paper on common issues surveyed the course of price liberalization, monetary and fiscal policies, external policies, incomes policies, and structural reforms, and concluded that economic policy coordination among the states was important for achieving longer-term reform goals.

Taken as a whole, the states of the former U.S.S.R. confront a set of urgent common problems, within what has been called the "common economic space."

Currency arrangements. One immediate common problem is the choice of currency, involving the decision of whether to stay within the ruble area or to establish an independent currency. The Fund recognizes that a country has a sovereign right to establish a national currency. At the same time, it emphasizes that this prerogative should, however, only be taken in full awareness of the need for a sound, macroeconomic framework to provide credibility to the new currency and the institutions needed to conduct an independent monetary policy. The Fund discussed with each state the issue of how to reconcile considerations involving national sovereignty and supranational monetary arrangements.

Trade between the states. Over time, and as the various economies develop their export and import sectors in accordance with their genuine comparative advantage, the pattern of trade between the states will change substantially. This change should be encouraged and facilitated. In the meantime, it is desirable to prevent a disorderly collapse of the existing system of trade between the states, which would aggravate the reduction in output.

Monetary and fiscal policies. With respect to monetary policy in the ruble area, it is necessary in the immediate future for the states to adopt simple ground rules for setting interest rates, exchange rates, reserve requirements, and credit guidelines. The states should also support coordination among themselves in this area by establishing a common commitment to responsible fiscal policies and be encouraged to reduce their budget deficits to low levels.

Structural reform. To achieve a successful transition to a market-based economy in the states of the former U.S.S.R., it is important that structural reforms proceed at a rapid pace. Such reforms will provide the essential foundations for the reorganization—and eventual renewed growth—of economic activity. However, the process of systemic reform will take years to complete.

Russia

The Russian authorities have launched a bold and comprehensive reform program, which was commended by Directors during their March 1992 review of the economic and financial situation in Russia. The Board noted the historic nature of the meeting and specifically welcomed the liberalization of prices in January and March, steps they credited for sharply reducing distortions in relative prices. In this regard, Directors noted the authorities' intention to bring domestic energy prices to world market levels by the end of 1993. The Board recognized that such increases would create a large burden for certain parts of the economy over the short run, but nevertheless maintained that such a step was crucial to establish a rational energy price structure, which would discourage wasteful consumption while stimulating energy production and export expansion.

Directors nevertheless expressed deep concern about continued uncertainty surrounding monetary policy and underlined the critical importance of determined efforts to enable the Central Bank to brake inflationary pressures and maintain the ruble's value by adhering to a tight monetary policy. These steps, in the Board's view, would help establish a necessary climate of confidence. The Board further urged the authorities to withstand pressures to relax monetary policy and called upon the Central Bank to make more explicit its commitment to stabilization by setting credit growth targets. Many Directors stressed the importance at this stage of supplementing tight financial policies with a strong incomes policy to prevent excessive wage growth, particularly in the state enterprise sector.

The Board endorsed measures taken to liberalize the foreign trade and payments system. It observed that the proposed unification of the exchange system and the planned elimination of most export quotas and licenses would constitute essential steps toward further progress in this area. Directors welcomed the recent decision not to proceed with establishing a separate exchange rate for foreign investment and stressed the need to create a regulatory framework to encourage such investment. Directors further welcomed the authorities' intention to give advance notice to, and to take account of, the interests of the other states of the former U.S.S.R. when liberalizing energy prices, as well as their commitment to promote direct trade by enterprises between Russia and other states. Directors urged the authorities to remove restrictions on trade with other states and to make every effort to preserve the ruble area as a common economic space. While this would require corresponding action from other states, the Board noted that Russia's size gave it a special responsibility in maintaining with other ruble area members an unrestricted, market-based system of trade and payments.

Generally, Directors noted that the authorities' program set forth in their memorandum of economic policies represented a major step toward a market economy and macroeconomic stabilization. They emphasized, however, that rapid implementation of these steps remained necessary. Such measures, the Board noted, would require courage, steadfastness, and the unstinting support of the population. Directors further recognized that assistance from the international community would be crucial in helping the authorities persevere with their program.

Estonia

In the short time since gaining independence, Estonia has made commendable progress toward a market economy while experiencing considerable economic shocks.

Directors, in reviewing the Estonian economy, welcomed Estonia's commitment to a balanced government budget and the changes undertaken to modernize its tax structure and recognized the progress made in dismantling the network of consumer subsidies and price controls.

Directors urged the authorities to maintain their prudent fiscal policy through appropriate adjustments in tax and expenditure policies while strengthening tax administration and avoiding a fragmentation of the budget process. To curb wages, an incomes policy would be necessary, together with a hardening of the budget constraint on public enterprises. Technical assistance in the macroeconomic field was urgently needed, and Directors welcomed the role of the Fund in both providing and coordinating assistance in this area.

Latvia

Fiscal policy in Latvia has been cautious, and substantial progress has already been made in price liberalization. Nevertheless, during their review of the Latvian economic and financial situation, Directors expressed concern about the sharp contraction of output and incomes and noted that the economic reform process had slowed markedly. To address the terms-of-trade shock brought about by the switch to trade at world market prices, Directors urged the authorities to adopt a coherent and comprehensive economic stabilization program. In addition to prudent fiscal policies, such a program would need to include a full pass-through of energy price increases to domestic users and properly designed incomes policy measures. Directors also voiced serious concerns about the slowdown in privatization and expressed the hope that the authorities would establish a comprehensive strategy in this area. To prevent financial instability, the Board stressed the importance of having an appropriate macroeconomic policy framework in place before introducing a national currency.

Lithuania

The Lithuanian authorities have committed themselves to decentralized economic decision making and have made initial progress with privatization and price liberalization. In reviewing the Lithuanian economy, Directors encouraged the authorities to persevere with economic reform despite sharp declines in economic activity caused by the disruption of trade with other states of the former U.S.S.R. The Board recognized that Lithuania would not have independent control over inflation as long as it remained in the ruble area. Directors nevertheless stressed that introducing a separate currency without adequate fiscal control would be premature and would not, by itself, stabilize prices and the economy. This could only be achieved through appropriate economic stabilization policies.

Belarus

The Belarus Government has undertaken to transform the economy along market principles and has made a good start toward price liberalization. Directors reviewing the economic and financial situation urged the authorities to pass through fully to users prospective increases in the cost of imported energy, and to remove remaining price controls as soon as possible, particularly in agriculture. The Board also called for accelerated privatization, deregulation, and elimination of monopolies.

Directors were encouraged by the importance being placed by the authorities on monetary and fiscal discipline and on strengthening policy coordination within the ruble area. Recognizing the magnitude of the external adjustment facing the economy, Directors expressed concern, however, at the imposition of a sizable tax on foreign currency receipts of exporters, which would, in their view, exert an adverse influence on the country's foreign exchange earnings and make it more difficult to attain a sustainable balance of payments position. The Board emphasized the Fund's readiness to provide technical assistance in the areas of central banking, fiscal management, foreign exchange, and statistics.

Moldova

The Moldovan authorities have agreed to move to a market-based system but should now accelerate efforts to introduce much-needed reforms. In reviewing the economy of Moldova, Directors credited the authorities for undertaking recent price liberalization measures but urged them to press forward with a privatization program to create the necessary supply response. More generally, Directors favored establishment of a truly comprehensive and detailed overall macroeconomic program. A key objective of such a program, they emphasized, should be to address the underlying weak state of public finances. In this regard, Directors welcomed the authorities' desire to achieve a balanced budget in a difficult internal and external environment, but noted that sizable new revenue measures, along with sharp expenditure cuts, would nevertheless be needed to meet this objective. The Board cautioned against precipitous action in introducing a national currency.

Ukraine

The Ukrainian authorities have decided to move toward a market-based system, restore economic stability, and integrate into the international economic community. In reviewing the economic and financial situation in Ukraine, Directors noted the size of the task at hand in mobilizing adequate external assistance to ease the transition. A successful transition, they concluded, would require both a clear delineation of economic policy responsibilities within the government and a strong commitment to a comprehensive program of mutually supportive policy changes. In the absence of the former, there would be a risk of policy paralysis and ineffectiveness. In the absence of the latter, financial instability would remain high, and the growth potential of the economy would accordingly remain unrealized. The Board also expressed concerns about delayed efforts to stabilize the financial situation, the absence of effective measures to control credit, and plans to introduce a national currency, which could, in its view, disrupt trade with the other states of the former U.S.S.R.

Directors pointed to a number of positive steps already taken by the authorities, most notably price liberalization. They nevertheless urged the authorities to lift remaining price controls at the earliest possible moment and to pass on fully to end users forthcoming increases in energy prices. The Board underlined the special importance of freely determined prices on food products in order to realize Ukraine's formidable agricultural potential. Directors welcomed the authorities' stance on privatization and foreign investment. Noting that privatization laws were already in place, speakers encouraged the authorities to move quickly on small-scale privatization; this would, in the Board's view, pay substantial dividends by improving the supply of goods in stores while enhancing the responsiveness of prices to demand and supply conditions.

Directors further emphasized the importance of continuing to support and develop market-based trade links and warned against any inclination to manage those links through the use of export controls, quantitative import restrictions, or excessive tariff levels. The introduction of a national currency could disrupt trade with the states of the former U.S.S.R., and Directors urged the authorities to establish appropriate payments mechanisms with ruble-area countries and to adopt a high degree of convertibility with a view to facilitating trade with the remainder of the ruble area and with the rest of the world. Concluding, Directors welcomed Ukraine's decision to join the majority of the states in accepting joint and several responsibility for servicing the former U.S.S.R.'s external debt.

Armenia

The very difficult circumstances prevailing in Armenia constituted formidable obstacles to efforts to improve economic performance, Directors observed in their review of the Armenian economy. They nevertheless commended the authorities for proceeding with structural reforms aimed at creating a market economy as soon as possible while seeking to implement adjustment policies in key financial areas. Directors welcomed the successful land reform enacted in 1991, as well as the comprehensive price liberalization measures introduced early in 1992. They urged that the privatization program and agricultural reform be continued and extended as rapidly as possible to other sectors, and that the price liberalization process be continued to help elicit a strong supply response. Directors cited the need to develop mechanisms to avoid creating a wage-price spiral, including fiscal measures to contain wage increases. In particular, they cautioned against overly generous wage indexation provisions and called upon the authorities to enact tight financial policies and to aim for a balanced budget in 1992.

Directors encouraged the authorities to make every effort to reach cooperative agreements with other states on an appropriate monetary policy for the ruble area. While recognizing that the current climate affecting interrepublican trade was difficult, the Board nevertheless urged the authorities to persevere with other members of the ruble area in maintaining a liberal exchange and trade system.

Azerbaijan

The local military conflict and the ensuing domestic political crisis have taken a heavy toll on Azerbaijan's economy and the authorities' ability to implement reform. Noting Azerbaijan's favorable resource endowment, Directors, during their review of the Azerbaijan economy, underlined the importance of establishing an appropriate macroeconomic and institutional framework for growth. While commending the authorities for rapid progress in liberalizing prices and carrying forward land and tax reform, they stressed that more needed to be done in all three areas. The Board similarly called for rapid adoption and firm implementation of laws on privatization, reform of the financial sector, the elimination of monopolies, and the liberalization of the trade and payments system.

Directors also expressed serious concern about the difficult fiscal situation. Prompt and decisive action was necessary to raise revenue and cut expenditure along with greater efforts to collect the new value-added and excise taxes. The Board strongly emphasized the importance of safeguarding mutually supportive interrepublican trade links and was accordingly deeply concerned by the authorities' resort to trade controls. For this reason, Directors urged Azerbaijan to reduce quantitative export restrictions and to streamline licensing procedures. While recognizing that the possible introduction of a national currency was Azerbaijan's sovereign right, the Board counseled against taking precipitous action on this front.

Georgia

In the face of difficult conditions, the Georgian authorities have taken initial steps toward a market economy. In their review of Georgia's economic and financial situation, Directors expressed concern at the rapidly deteriorating financial situation within the country. They urged the authorities to adopt and implement a comprehensive reform and stabilization program without delay. In this vein, Directors stressed the importance of establishing a clear institutional authority for conducting economic and financial policies. They further emphasized that in view of the underlying weak fiscal position of the Government, sharp expenditure cuts would be necessary to achieve a balanced budget in 1992.

Directors welcomed the price liberalization measures already taken and urged the authorities not to delay further actions on this front. Noting the authorities' intention to introduce a national currency, Directors underlined the importance of having in place all the necessary prerequisites for undertaking such a step, including a credible commitment to maintaining fiscal and monetary discipline. Speakers further urged the authorities to eliminate existing export restrictions and to ensure that the foreign exchange regime was in line with its neighbors in the rest of the ruble area.

Kazakhstan

The authorities in Kazakhstan have taken initial steps in transforming the economy toward a market-based system and have adopted new legal and institutional structures for the banking system, private property rights, and privatization of state enterprises. In reviewing the Kazakhstan economic and financial situation, Directors underscored the need to assign a high priority to immediate implementation of strong macroeconomic stabilization policies in coordination with other states of the former U.S.S.R., mainly through substantial reductions in the fiscal deficit and restraining credit expansion. They further welcomed the authorities' adherence to maintaining a common economic space with other states and adoption of an exchange rate and exchange system common to Russia and other members of the ruble area. Directors pointed out the benefits of moving rapidly toward world market prices and accelerating the privatization of key sectors of the economy if an appropriate supply response was soon to be forthcoming. While commending efforts by the authorities to tighten the fiscal position, Directors nevertheless called upon them to adopt promptly further revenue-raising and expenditure-reducing measures and to strengthen tax administration. They likewise urged the authorities to proceed more rapidly in reducing the network of state controls.

Kyrghyzstan

The authorities in Kyrghyzstan have taken rapid and decisive steps to lay the foundation for a market-based economy. In particular, they implemented an extensive liberalization of prices in January 1992 and took measures to liberalize the banking and foreign investment regime, while showing progress in carrying forward rural land reform and the privatization of state enterprises. Notwithstanding these steps, Directors, during their review of the economic situation in Kyrghyzstan, were concerned about bleak prospects for output and employment and the likelihood of a sizable external financing gap. In view of these difficulties, Directors strongly endorsed the authorities' intention to persevere with structural reform, including accelerated privatization. They further emphasized the importance of further fiscal tightening.

Directors noted Kyrghyzstan's decision to remain part of the ruble area for the time being. They emphasized the importance of close coordination between Kyrghyzstan and Russia and other members of the ruble area. Directors also urged the authorities to complement their economic reform effort with measures to support the emergence of flexible and unrestricted interrepublican trading arrangements with other members of the ruble area.

Tajikistan

Tajikistan is faced with difficult economic problems, particularly the loss of transfers from the former U.S.S.R. It was therefore important for the country to implement a macroeconomic stabilization program and undertake significant fiscal reform measures. In their review of the economic situation in Tajikistan, Directors called upon the authorities to remove remaining price controls to improve the budgetary and resource allocation situation. Directors further emphasized that monetary policy in Tajikistan must be consistent with developments in the ruble area and that the monetary authorities should cooperate closely with other states regarding refinance policy and interest rates. Directors generally agreed that the Tajik authorities would be well advised to adopt and maintain an exchange rate and exchange system common to other members of the ruble area. Calling upon Tajikistan to strengthen its privatization and land reform program, Directors underlined the Fund's readiness to provide technical assistance in the fields of central banking, fiscal reform, and statistics.

Turkmenistan

The authorities in Turkmenistan are determined to move toward a market economy and have a unique opportunity to use income derived from the country's ample energy resources to support a more rapid economic transformation and diversification. While commending the authorities for their earlier decision to undertake price reform, Directors, reviewing the economic and financial situation in Turkmenistan, regretted the subsequent decision to reverse this action. In light of the more rapid pace of price liberalization in neighboring states, Directors urged the authorities to proceed expeditiously in dismantling remaining price controls. They further emphasized that effective macroeconomic stabilization would require fiscal restraint.

Directors noted that Turkmenistan's intention to remain in the ruble area would require close cooperation with its neighbors in the design and implementation of a common monetary policy. They reiterated the Fund's readiness to provide technical assistance in the priority areas of central banking, statistics, and fiscal reform.

Uzbekistan

Uzbekistan boasts considerable economic potential, owing to its substantial resource endowment, and the authorities have taken steps toward realizing this potential in such fields as price liberalization, tax reform, and the privatization of agriculture. In their review of the economic and financial situation in Uzbekistan, Directors commended these steps but noted that there remained a long way to go. Directors underscored the need to assign higher priority to reinforcing structural reform and immediate implementation of macroeconomic adjustment policies. They accordingly urged the authorities to extend privatization to trade and manufacturing and to proceed rapidly with the phasing out of the network of state controls in the economy.

Noting Uzbekistan's decision to remain in the ruble area for the time being, the Board expressed concern that monetary and exchange policies were not being implemented in common with the Russian Federation and the rest of the ruble area. Directors emphasized to the authorities the need to establish cooperative relationships with the independent central banks of the ruble area in coordinating monetary policy among participating states.

World Economic Outlook

Through its world economic outlook exercise, the Fund assesses current economic conditions worldwide and provides short-term and medium-term projections for the international economy, the industrial countries, and the developing countries under various policy assumptions. The exercise allows the Board and the Interim Committee to discuss member countries' economic policies and their interaction at the global level. By integrating analyses of the policies of individual countries in a global framework, the Fund fulfills its multilateral surveillance function.

The world economic outlook exercise highlights potential conflicts and tensions that may arise between countries, or among groups of countries, if current policies continue unchanged. The staff prepares, for Board consideration, medium-term scenarios that illustrate the effects of alternative policies in member countries and that identify areas of possible conflict requiring the attention of policymakers. The world economic outlook exercise also permits a systematic monitoring of important global economic issues, such as prospects for economic recovery in the industrial countries, the need to boost world savings, integration into the international economy of Eastern Europe and the states of the former U.S.S.R., and the developing country debt problem.

Global Situation

In discussing the world economic outlook in April 1992, the Board expressed concern about the continued sluggishness in a number of the industrial countries. Most Directors agreed with the staff's forecast of a more sustained recovery later in 1992 and in 1993, in light of the moderate and falling rates of inflation in most countries; substantially lower interest rates in North America and Japan; adjustments in private sector balance sheets; and the stronger economic performance of many developing countries despite economic weakness in the industrial world. Key policy requirements, according to many Directors, were the restoration of consumer and business confidence and efforts to establish firmly the medium-term growth strategy followed since the early 1980s. This strategy is directed at sustained, noninflationary growth. With an upturn of activity possible in 1992–93, Directors agreed that the strategy's objectives had to be pursued with renewed vigor.

The Board noted the continued hesitancy of the recovery in the United States and Canada. Relatively low rates of capacity use and a moderate pickup in money growth had allowed a further moderation of inflation in both countries, while the lowering of interest rates had helped improve prospects for recovery. Most Directors agreed that, at the time of the Board discussion in April 1992, further monetary easing was not warranted.

For Japan, Directors noted that, after a period of sluggishness, conditions favorable to stronger economic growth should improve in response to the lowering of interest rates over the previous year, and in light of the Government's decision to accelerate public works spending and the Bank of Japan's decision to cut the discount rate in April. Most Directors agreed that some slowdown in growth was desirable to prevent overheating following the rapid expansion and excessive increases in asset prices from 1988 to 1990. Several Directors raised a question, however, about the short-term outlook for Japan, particularly in view of the uncertain effects on investment and consumption of the sharp downturn in asset prices during the previous 12 months. In this connection, some Directors felt that Japan had scope for further flexibility in the fiscal area, if warranted by continued weakness of domestic demand.

Directors expected growth in Europe to remain subdued in 1992. In addition to the persistence of structural rigidities, many Directors pointed to the tight monetary stance in Germany required to contain domestic inflationary pressures that were related to the rapid money growth, the large budget deficit, and the strong wage pressures associated with unification. The stance of German policies was a result of the exceptional adjustment problem facing the country, and a number of Directors were confident that Germany's fiscal imbalance would gradually be corrected. The view was expressed that the prospects for lower interest rates and stronger growth in Europe would be enhanced if German fiscal consolidation plans were accelerated.

Directors welcomed the stronger growth performance and outlook for the developing countries, but some were guarded in their optimism for the medium term. Directors urged the authorities in developing countries to intensify their efforts to enhance efficiency by increasing investment in human and physical capital, and by allowing market forces a larger role in the allocation of resources. Several Directors also stressed the important role of favorable external conditions—including sustained growth in the industrial countries and adequate inflows of foreign lending and direct investment—in maintaining growth in the developing countries. At their September 1991 world economic outlook discussion, some Directors remarked that the deterioration in the external economic environment for the developing countries—including the weakening of export demand and adverse changes in the terms of trade—had complicated economic policymaking in several countries that had implemented or strengthened adjustment programs. The terms of trade deterioration had been particularly marked for producers of primary products, including many African countries. The point was made that the least developed countries, particularly those in sub-Saharan Africa, faced a particularly difficult plight and that, even in the more successful countries in this group, output growth had yielded only a small improvement in per capita incomes. At their April 1992 Board meeting, a number of Directors were concerned about the impact of the prolonged drought in southern Africa. They observed that the international community would have to make a significant effort to safeguard the courageous reform and adjustment efforts of the countries in that region.

At its April 27, 1992 meeting, the Interim Committee noted that growth in the industrial countries was expected to be slow in 1992, since the recession in several countries had proven more persistent than expected, and growth had slowed in other countries. The Committee echoed the Board's emphasis of the importance of economic policies that supported recovery by strengthening private sector confidence through a firm and concerted adherence to a medium-term strategy aimed at sustained growth and price stability. Economic policy also had to address the convergence in performance required for economic and monetary union in Europe and the demands on world savings stemming from the transformation of the formerly centrally planned economies as well as the continuing needs of developing countries. To assure recovery and sustainable growth, the Committee agreed on the need for appropriate monetary and fiscal policies, measures to eliminate distortions and boost the productivity of investment, and renewed efforts to eliminate unproductive spending and reduce public sector deficits—which would help bring about a lasting reduction in long-term interest rates. At its October 1991 meeting, the Committee noted that continued progress in reducing fiscal deficits would raise world savings, boost private investment and potential output, and alleviate the debt-service burden of heavily indebted developing countries.

The Interim Committee emphasized that a rapid conclusion of the Uruguay Round would contribute to sustaining the recovery and medium-term growth. Greater access to industrial country markets was of particular importance for developing countries and those in transition to market economies. An agreement was essential to restore dynamism to world trade and to maintain the credibility of the multilateral trade system. All countries stood to benefit from the Uruguay Round and would suffer from its failure; such failure, the Committee cautioned at its October 1991 meeting, could jeopardize the world trade and payments system and the outward-looking reforms supported by the Fund and the World Bank, under which many countries had proceeded to unilaterally dismantle trade barriers.

The Interim Committee welcomed the adjustment and reform programs increasingly implemented by the developing countries, and the resulting signs of economic strengthening in 1991–92. The momentum of these efforts to sustain growth and raise living standards had to be maintained, with financial support from the international community, including concessional support for low-income countries under the Fund's enhanced structural adjustment facility. The Committee welcomed the indications of improvement in the debt situation of developing countries, as testimony to progress under the debt strategy. Earlier, at its October 1991 meeting, the Committee stressed the continuing importance of financial assistance from bilateral creditors and official debt restructuring. As regards the poorest, most indebted countries, it cited the need for more concessional restructuring terms in support of sound economic policies.

The Interim Committee praised the reform efforts of the previously centrally planned economies, and welcomed the courageous initial steps taken by the states of the former U.S.S.R. toward building market-based economic systems. Positive signs were beginning to appear in several Eastern European countries, including lower inflation, a growing private sector, and entry into new export markets. Reform efforts had to be sustained, in the Committee's view, and in several countries steps needed to be taken urgently to prevent growing fiscal imbalances from eroding the gains achieved. The far-reaching price liberalization measures already adopted in the states of the former Soviet Union had to be supported by the implementation of firm macroeconomic and structural policies. Unsustainably high public expenditures—including in the military area—had to be further reduced, and the privatization or, at least, commercialization of large public enterprises needed to be pursued vigorously and early in the reform process. Legal and institutional changes also had to be introduced without delay to create a climate conducive to free market activity, including private ownership of land and foreign direct investment. In addition, securing unrestricted trade among these states, along with effective policy coordination among members of the ruble area, would be critical to minimizing further economic dislocations.

Industrial Country Policies

During the Board's April discussion of the industrial countries, views differed on the use of automatic stabilizers in the face of recession and the compatibility of such use with achieving medium-term noninflationary growth objectives. A few Directors thought that alleviating recessionary tendencies in some of the industrial countries should be given higher priority in formulating policy. An overly restrictive monetary policy, in their view, could endanger the recovery, particularly with concerns in some countries about credit availability and the health of the financial system. Further declines in interest rates might therefore be necessary. In using the monetary instrument, policymakers should nevertheless be fully aware of the international implications of their monetary policy actions.

Most Directors, however, stressed that, consistent with the medium-term growth strategy, policymakers in periods of cyclical weakness should refrain from discretionary fine-tuning of macroeconomic policies. It was crucial, they noted, for policies to be firmly directed toward restoring and sustaining private sector confidence, whose weakness was a major cause of the current downturn. The economic weakness in the United States and the United Kingdom resulted partly from financial strains that had built up during the 1980s, and several Directors agreed that economic policy could not have averted the ensuing slowdown in growth.

Several Directors argued that, without changing the basic medium-term orientation of policy, policymakers had the scope to cushion somewhat the effects of recession, in the same way that policy needed tightening during periods of overheating. In this view, reducing short-term interest rates during periods of sluggishness, moderating inflation, and below-target money growth did not constitute a departure from the medium-term strategy, or from the goal of price stability over the medium term; rather, declines in short-term rates corresponded to a nonaccommodating monetary stance and rising interest rates when inflationary pressures were increasing or when output exceeded potential. Similarly, allowing automatic budgetary stabilizers to operate during a recession was similar to deficit reduction brought about by rapid revenue growth during the recovery phase of the cycle. These Directors emphasized strongly, however, that the extent to which automatic stabilizers were permitted to operate in particular cases should depend on progress already achieved toward reducing fiscal deficits and controlling inflation, a situation that, they concluded, did not prevail in many countries.

Some Directors were concerned that this approach to generating a recovery could be seen as deviating from the medium-term strategy, with possible unfavorable consequences for private sector confidence. They advised extreme caution. In particular, they noted that the goal of price stability should continue to guide monetary policy, not just over the medium term, but also in the short run—even during a slowdown—as long as price stability was not close to being achieved. Similarly, these Directors urged caution in allowing automatic budgetary stabilizers to work during periods of economic weakness, stressing the importance of preventing increases in deficits relative to medium-term fiscal objectives.

The Board expressed considerable concern over the persistence of excessive structural budget deficits in several countries—especially in the United States, Italy, and Canada; it was of vital importance to resume progress toward deficit reduction. Many Directors cited the significant upward revision of projected deficits in the United States relative to the objectives set in 1990 and called for decisive and credible measures to bring deficit reduction back on track. Some Directors also noted that fiscal consolidation in Italy and other members of the EC—as well as in potential future members—was necessary not only for the convergence required for progress toward economic and monetary union, but also for stronger growth over the medium term.

Many Directors stressed the important long-term benefits of moving toward reducing fiscal imbalances in the United States and other countries with excessive deficits. Referring particularly to the United States, several Directors pointed out that, given the large structural deficit, the persistence of high long-term interest rates, and the relatively low levels of confidence, a credible package of measures to reduce the deficit over the medium term could help improve confidence. Stronger confidence would likely lead to an increase in demand that would considerably reduce the unfavorable short-term impact that, under different circumstances, might be associated with a withdrawal of fiscal stimulus. At the same time, the reduced government financing needs and improved expectations of financial market participants would result in lower long-term interest rates.

In light of this—and in seeking to renew efforts to meet the goals of the medium-term strategy—Directors emphasized the importance of reducing the public sector's absorption of private savings. Reduced public spending was necessary to meet the increased demands on world savings likely to result from the economic transformation of Eastern Europe and the states of the former U.S.S.R., from the improved creditworthiness of many developing countries, and from the investment needs of the industrial countries themselves. Specific measures to boost global savings, in the Board's view, should include cuts in unproductive government spending; these would include certain components of military spending, agricultural support, and industrial subsidies. Several Directors noted that action in the latter two areas would also promote international trade and support reforms in the former centrally planned economies and in the developing countries; this would help to lower the external financing needs of those countries.

With respect to the persistence of high rates of unemployment in a number of industrial countries—particularly in Europe—Directors underscored the need for structural measures to improve the functioning of labor markets; these would include changes in minimum wage legislation to enhance labor market flexibility, reduced spending on unemployment benefits, and more emphasis on job placement and training programs.

Directors strongly emphasized the major responsibility of the industrial countries to ensure a successful outcome of the Uruguay Round of multilateral trade negotiations, without further delay. A positive outcome was essential for locking in the gains already achieved and for maintaining the credibility of the multilateral process. Success would enhance business confidence in the industrial countries, which was the most effective way to alleviate recessionary forces. Moreover, it would provide the developing countries and the reforming countries in Eastern Europe and the former Soviet Union with vital access to foreign markets. A failure to provide such access, many Directors noted, would run counter to the growing recognition of the benefits of market-based economic principles throughout the world. It could also heighten trade tensions and risk a return to more restrictive policies, such as a further proliferation of managed trade agreements and other impediments to trade.

In discussing the costs of protectionism at their September 1991 world economic outlook discussion, Directors stressed the negative repercussions for all countries, as well as the close relationship between the success of the Uruguay Round and the success of Fund programs. If countries engaged in economic adjustment were denied access to markets in the industrial world, this would contribute to undermining the credibility of Fund policy advice; complicating the mobilization of domestic political support for reforms; constraining export earnings; curtailing inflows of foreign direct investment; increasing financing requirements; and hindering access to international capital markets.

Developing Country Policies

While recognizing the growing acceptance and pursuit of market-oriented policies among developing countries, several Directors pointed to the costs of policy slippage and the need to sustain sound economic policies to expand domestic saving and investment and attract capital inflows. They urged the authorities in developing countries to step up their efforts to enhance efficiency by increasing investment in human and physical capital, and by giving market forces a larger role in allocating resources.

The Board noted that the stabilization and structural reform programs implemented in the developing countries over the previous several years appeared to be bearing fruit. This was particularly apparent in the Western Hemisphere, where many countries saw growth strengthen in 1991, notwithstanding the unfavorable external environment. Moreover, Directors stated that in several cases, there were clear signs of a reversal of capital flight and a resumption of direct investment and other spontaneous capital inflows.

With respect to capital flows to developing countries, the Board, during its September 1991 meeting, argued that the indebted developing countries needed to intensify their efforts to boost domestic saving and to increase their attractiveness to external capital flows. This had to be done principally through domestic policy improvements, but also through other measures to reduce obstacles to capital flows including, where appropriate, debt restructuring. Several Directors argued that increased demands on global savings heightened the urgency of renewed efforts to resolve outstanding debt problems. The Board noted that indicators of the debt burden had declined for most groups of countries and welcomed recent signs of a return to voluntary market access for a few countries. Some Directors thought that additional efforts might be needed to ensure that countries adopting the required adjustment measures were not constrained in their development effort by insufficient flows of capital. (See discussion of external debt situation, below.)

In conjunction with comprehensive structural reforms aimed at enhancing the efficiency of resource allocation, many Directors at the April 1992 world economic outlook discussion remarked that reduction of fiscal imbalances had proven to be a key element of successful adjustment policies and of greater resilience in the face of unfavorable external developments. The elimination of excessive fiscal deficits had helped to boost domestic savings and had improved confidence and encouraged domestic and foreign private investment.

Eastern Europe and the Former U.S.S.R.

Part of the slowdown in world activity in 1991, Directors observed, reflected the sharp contraction of output in Eastern Europe and the former U.S.S.R. A major element behind the contraction was the inevitable—and larger-than-expected—cost of transition from the distortions and misallocations of resources under central planning. Other important elements were the inability of the former U.S.S.R. to maintain supplies of energy and raw materials to its former partners in the CMEA and Eastern Europe's large terms-of-trade loss vis-à-vis the former U.S.S.R. Directors were, however, encouraged by signs that the economic slump was beginning to bottom out in some Eastern European countries.

The Board welcomed the early liberalization of prices, trade, and exchange markets in Eastern Europe. Directors were concerned, however, about the prevalence of monopolies and the need for corrective measures to stimulate competitiveness and the supply of goods. But they also noted that efforts to control inflation had generally been less successful, partly because the needed supply responses were slow to materialize, and because of difficulties in reducing fiscal deficits under conditions of sharply falling output. Although stabilization policies had to continue receiving high priority, institution-building and the speed-up of structural reforms to stimulate supply were also essential to limit the costs of transition to a market-oriented system.

In this connection, Directors emphasized the particular urgency of reforming the financial sector, tightening budget constraints, and transferring ownership of state assets to private hands. Where privatization could not be achieved immediately, steps had to be taken to commercialize state-owned enterprises as an interim measure. To ensure the success of economic transformation, Directors underscored the importance of countries in the rest of the world opening their markets to the exports of the reforming countries. The EC and other industrial countries had already taken some steps in this direction, but further measures were required to remove remaining obstacles, particularly for agricultural products.

The experience with reform in Eastern Europe had underlined the need for a comprehensive approach to structural reform, as well as a decisive effort at stabilization. Directors believed that the states of the former Soviet Union, which were embarking on the reform process later, could benefit from the experience of Eastern Europe. One lesson was the importance of creating early on the legal and institutional environment to encourage entrepreneurship, private enterprise, and competition, which were essential features of a market economy.

In the case of the former Soviet Union, Directors highlighted the importance of stabilizing the internal and external value of the ruble, noting that Russia had a special—but not exclusive—role in this regard. All the states would need to put in place comprehensive reform and financial stabilization programs, not least those countries that might decide to introduce separate currencies. In this context, several Directors believed that the preservation of a common currency was preferable to introducing separate currencies and noted the importance of rapidly establishing mechanisms for effective policy coordination within the ruble zone. In all cases, the Board cautioned against precipitous action. It was essential to have in place the institutions and the instruments, and above all, to demonstrate the firm resolve to implement tight financial policies to protect the value of any new currency.

Regardless of the currency arrangement, Directors stressed that major efforts would be required to safeguard trade and a "common economic space" among the states. For all the states, the removal of obstacles to mutually beneficial trade and the coordination of price reforms and financial policies—including exchange rate polices—were crucial to successful economic restructuring. A few Directors suggested that consideration be given to introducing, for a strictly limited time, a common tariff on imports of consumer goods to promote an orderly restructuring of domestic output. Some Directors also believed that a payments union—even though it should not be considered a panacea—would help prevent a collapse of intraregional trade.

The Fund had a central role in these efforts, and the Board encouraged the staff to respond quickly and effectively to the needs of the states for guidance and financial assistance as they struggled to overcome the legacies of the past. Directors emphasized, however, that further exceptional financing from the official community for some of the formerly centrally planned economies would be essential in 1992 and beyond.

External Debt Situation and Strategy

The objectives of the debt strategy remain a restoration of a viable external position for debtor countries and their access to voluntary official and private flows, and their return to satisfactory economic growth. To meet these objectives, the fundamental importance of sound macroeconomic and structural policies in these countries is universally accepted. In the course of the implementation of the debt strategy, however, it became increasingly clear that some debtor countries found it difficult to work their way out of their debt problems, even with strong policy reforms. In such cases, a further buildup of debt, combined with skepticism among foreign and do-

Box 3

Report of Working Party on Measurement of International Capital Flows

The Working Party, which was established in December 1989 under the chairmanship of Baron Godeaux to study the measurement of international capital flows,[1] submitted its final report to the Fund's Executive Board in February 1992. Under its terms of reference, the Working Party was asked to evaluate statistical practices relating to the measurement of international capital flows and, in particular, to investigate the main sources of the statistical discrepancy in the component categories of the capital account in the global balance of payments. It was also required to consider what corrective action might be taken, both by national compilers of statistics and by the Fund.

The Working Party's report revealed that world capital account statistical systems have not kept pace with innovations and the rapid changes in the volume of transactions in international capital markets. Consequently, there has been a deterioration in the quality of capital account statistics for many of the major countries.

Direct investment is the only category of the capital account in which recorded outflows have persistently exceeded inflows during 1986–89, mainly because the reinvestment of earnings of multinational corporations tended to be recorded as a capital outflow by the major investing countries but not as a capital inflow by the host countries.

Portfolio investment has become one of the most difficult areas for compilers, according to the report, because of the liberalization of capital markets, financial innovation, and the changing behavior of investors. Whereas most collection systems have traditionally relied on domestic intermediaries for information on international portfolio transactions, investors have been increasingly switching to new intermediaries (including those abroad), for which coverage is less complete.

The category "other capital," which includes transactions of the private nonbank sector, domestic banks, and resident official entities, has shown the largest excess of measured inflows over outflows during 1986–89 (averaging $66 billion a year). The report noted that statistical coverage of nonbank sectors has been generally poor—including in the United States and other industrial countries.

Transactions in the "official reserves" category are generally well measured, but it is not always known where these reserves are invested or in what forms they are held—although a number of countries provided details about their reserve transactions that enabled the Working Party to isolate imbalances in measured private transactions.

The Working Party's other findings were that:

- Balance of payments information for offshore financial centers has been incomplete.
- Capital flows that have been deliberately concealed (such as those as-

[1]See *Annual Report, 1991*, page 38.

mestic savers about the prospects for sustained growth, reduced the likelihood that external viability and normal access to credit markets would be restored. Moreover, while official bilateral creditors continued to provide new financing in various forms, new money from commercial banks became increasingly difficult to mobilize.

In recent years, therefore, the debt strategy has evolved toward voluntary, market-based reduction of commercial bank debt, with support as necessary from international financial institutions, including the Fund (see *Annual Reports, 1990* and *1991*). Official creditors have also provided increased concessional and nonconcessional relief, especially for the poorest countries.

sociated with the drug or arms trade) have been impossible to identify, being indistinguishable within the measured components of the existing accounts.

- There are apparent inconsistencies between national balance of payments data and debt statistics provided to the World Bank and the OECD.
- Balance of payments reporting by a number of international organizations has deteriorated.
- The international banking statistics compiled by the Bank for International Settlements and the Fund yield valuable insights into capital flows of nonbank sectors.

The Working Party recommended, at the national level, that authorities of all countries keep their statistical systems under review, adapt them quickly to the changing national and international financial environment, and provide them with adequate resources and other support. Compilers should prepare their balance of payments accounts in accordance with the Fund's *Balance of Payments Manual*, and must report to the Fund in this form and on time. They should also develop regular contacts with related agencies in their own countries, with compilers in other countries, and with international organizations that hold valuable financial data bases. National authorities should report regularly to the Fund—confidentially, if necessary—on the composition of their foreign exchange reserve transactions by type of financial instrument.

With respect to the Fund and other international organizations, the Working Party's main recommendations were that

- The Statistics Department and other departments of the Fund aim to achieve a greater harmonization of available balance of payments statistics and try to improve estimates for countries that do not report, or report late.
- The Fund updates its *Balance of Payments Manual* more frequently to reflect changes in the economic and financial environment.
- All international organizations report their transactions to the Fund on time.
- The Bank for International Settlements and the Fund consider refining their international banking statistical systems in certain areas to make them more readily usable in balance of payments accounts.
- The OECD and the World Bank try to ensure that the debt statistics they compile can be reconciled with balance of payments data.

The Working Party further suggested that a small committee of senior balance of payments compilers be set up to oversee the implementation of their recommendations, as well as those in the 1986 *Report on the World Current Account Discrepancy*.[2]

The Board endorsed the main recommendations of the Working Party, whose report, entitled *Final Report of the Working Party on International Capital Flows*, will be published by the Fund.

[2]See *Annual Report, 1987*, page 18.

Commercial Bank Debt

Since the debt strategy was modified in 1989 to allow for official support of debt-reduction operations, a number of heavily indebted countries have reached agreement with commercial creditors on debt restructuring. In 1989 and 1990, debt agreements were reached for Costa Rica, Mexico, Morocco, the Philippines, Uruguay, and Venezuela. Since 1991, three additional debt-reduction agreements have been concluded for Mozambique, Niger, and Nigeria, while debt packages for Argentina and the Philippines are near completion, and discussions on Brazil are at an advanced stage. A number of other countries are at various stages in negotiating agreements with the banks, most of which would include debt-reduction options.

While important progress has been made toward restructuring the commercial bank debt of the largest debtors, the debt problems of many countries remain far from resolution. The relatively slow progress in the negotiation of commercial bank debt restructuring has mainly reflected

- the severe fiscal and external imbalances faced by some countries, and the need to undertake significant structural reforms;
- mixed records of policy implementation;
- arrears to commercial creditors; and
- legal and technical difficulties, particularly where bank debt has not previously been consolidated in a rescheduling exercise.

For a number of countries, debt conversions have proven effective in lowering external debt. In 1991, conversion activity was highest in Argentina, Mexico, and the Philippines, where it was related to debt-equity swaps and privatization programs. In addition, a number of (especially low-income) countries, including Costa Rica, Ecuador, and the Philippines, have participated in debt-for-nature and debt-for-development swaps, although the amounts involved have been relatively small.

Official Bilateral Debt

The Paris Club's first response to the intractable difficulties that some of the poorest countries faced in trying to achieve external viability was to lengthen grace periods and maturities, starting in 1987. But stretching out repayment periods alone did not lead to a significant improvement in the debt situation of many of these countries. In late 1988, Paris Club creditors adopted a menu with concessional options ("Toronto terms"). The resulting restructurings provided significant debt relief, and, together with continued flows of new concessional financing, brought a few countries within range of exiting the restructuring process. But creditors increasingly recognized that any sustained improvement in the debt situation of the large majority of low-income rescheduling countries called for more far-reaching concessional debt-relief measures determined on a case-by-case basis. The main starting point for discussions on such concessions was the U.K. "Trinidad terms" proposal of September 1990, which advocated a substantial reduction and restructuring of the stock of debt rather than a restructuring of debt service falling due during a specific consolidation period.

In December 1991, Paris Club creditors reached agreement on a new menu of enhanced concessions, which contained a number of innovative features in the approach to debt reschedulings for the low-income countries. Most of the options in the new terms provide for the reduction of consolidated debt-service payments by 50 percent in net present value terms, while committing creditors to consider restructuring the stock of debt after a period of 3–4 years.

In addition, Paris Club creditors have

- continued to provide cash-flow relief over the period of Fund-supported programs for rescheduling countries that do not benefit from concessional reschedulings;
- provided new money in the form of grants and loans in support of reform programs; and
- forgiven concessional debt obligations (such as official development assistance debt), mainly for low-income countries. Canada, France, Germany, the United Kingdom, and the United States have, in particular, forgiven sizable amounts of such debt.

Official bilateral creditors not participating in the Paris Club have also provided debt relief to heavily indebted developing countries, often on highly concessional terms. Notably, Arab creditors have cancelled substantial debts of some countries affected by the Middle East crisis of 1990 and 1991; and non-Paris Club creditors in Latin America have extended substantial debt relief to a number of debtors in the region over the past two years.

Voluntary Credit Flows

The process of re-entry into international capital markets by developing countries that have experienced debt-servicing difficulties gathered momentum during 1991. Several countries that had successfully completed commercial debt restructuring and regained some access to capital markets in 1989 and 1990 (notably, Chile, Mexico, and Venezuela) have attracted increasing flows at steadily improving terms, as markets responded to the sustained implementation of sound economic policies. There has also been substantial equity investment in these and other countries.

The range of market re-entrants broadened in 1991 to include Argentina and Brazil; borrowers in these countries placed more than $2 billion of international bonds in the second half of 1991 alone. Developing countries that have avoided debt-servicing problems generally maintained their access to capital markets in 1991 and early 1992. For these countries, prudent debt and reserve management remain important. Experience has confirmed that financial markets are generally cautious in providing spontaneous financing and respond quickly to adverse developments. Such developments warrant prompt and decisive adjustment by the borrowing country supported by appropriate financing to maintain favorable market perceptions and market access.

The Board reviewed the debt situation in September 1991, and again (in the context of the review of the world economic outlook) in April 1992. During the 1991 review, Directors observed that the basic elements needed to resolve the debt problems of all heavily indebted countries were in place or were moving clearly into view. They stressed the continued central importance of the debtor countries sustaining their implementation of sound macroeconomic and structural reform policies.

In the area of commercial debt, the Board noted that comprehensive debt- and debt-service reduction packages in the context of sound policies had played an important role in restoring some countries' access to voluntary market financing. The likelihood of delays in concluding bank debt-restructuring packages gives rise to a number of problems, however. These include the continued accumulation of arrears to the banks themselves; strains on the Fund's policy on financing assurances;[1] and the resulting shift of financing burdens and attendant risks to the official sector, including the Fund. In cases where the debtor country is maintaining its policy efforts and cooperating in negotiations, the Board continued to feel that it was important that the country have sufficient time to reach an agreement with its bank creditors that is consistent with medium-term viability. Directors stressed, however, that Fund support in these circumstances must be directed to strong programs for which timely Fund support is essential for carrying out the program and is important in promoting external viability.

The Board emphasized the need for continued international financial support for countries that had managed to maintain access to voluntary credit flows by pursuing sound policies.

During its April 1992 discussion, the Board noted that progress in alleviating the debt burden of low-income, debt-rescheduling countries—particularly those in sub-Saharan Africa—had been disappointingly slow. It therefore welcomed the recent implementation by Paris Club creditors of enhanced concessions in rescheduling for such countries. Some Directors recognized, however, that many of these countries faced particularly difficult debt situations and would require further concessions. There was also a continuing need for creditors to examine, on a case-by-case basis, the situations of some of the lower-middle-income countries with uncertain prospects for viability.

With regard to commercial bank debt, Directors were encouraged that those middle-income countries that had progressed toward debt restructurings had been able, in the context of strong policies, to regain some access to international capital markets and achieve satisfactory economic growth. But some noted that access to voluntary bank lending had remained very limited. Directors stressed the need for commercial creditors to continue to implement appropriate debt restructuring options on a timely basis for countries pursuing strong policy reforms.

Meeting in April 1992, the Interim Committee also welcomed the implementation by Paris Club creditors of greater debt relief for low-income countries, the progress on bank debt restructuring agreements, and the continued recovery of private voluntary capital flows to a number of developing countries. It also noted the continued examination by Paris Club creditors of the special situation of some lower middle-income countries on a case-by-case basis.

Evolution of the Monetary System

The Executive Board periodically discusses issues relevant to the evolution of the international monetary system, in keeping with its responsibility to monitor the system and to seek ways of improving it. Directors conducted such a review in late July 1991, touching on a wide range of technical issues concerned with managing the monetary system and the adequacy of international liquidity; the review followed an informal discussion earlier in July, which explored the operation and implications of monetary unions and common currency areas (see Box 4). A common theme of both discussions was the fundamental importance of sound monetary and fiscal policies in all member countries.

Directors observed that the monetary system was evolving in a multicurrency—and possibly a multipolar—direction. The relative size of the U.S. economy had declined considerably in recent decades, as had international use of the U.S. dollar. Nonetheless, several Directors felt that the dollar remained uniquely important in the system, which conferred on the United States a particular responsibility. Although some Board members believed that the world was increasingly looking to the three largest industrial countries (the

[1] See *Annual Report, 1990*, page 30.

United States, Germany, and Japan) to serve as nominal anchors of the monetary system—"anchoring" monetary policy against inflation—few expected significant regional monetary integration outside Europe in the immediate future. It was therefore premature to characterize the system as symmetric and tripolar. Some Directors thought that movement toward a multipolar and multicurrency system might be advanced by removing remaining barriers to the global use of the anchor currencies. In some regions of the developing world—Latin America in particular—certain anchor currencies were already being used to denominate bank deposits.

The Board agreed that weaknesses in the monetary system resulted largely from problems outside the exchange rate area—mainly the need for more disciplined and effective national policies. Stability could also be enhanced by reinforcing the mechanisms for multilateral surveillance and policy coordination among the industrial countries. Exchange rate commitments, it was agreed, had to be tailored to the characteristics and circumstances of individual countries.

Many Directors emphasized that price stability should be the predominant objective for monetary policy in the largest countries—not because high employment and growth are less important, but because of the proven difficulties of sustaining these other objectives in the absence of price stability. The special responsibilities of the anchor countries were noted, and many Directors agreed that efforts to manage exchange rates should be consistent with giving price stability in the largest countries clear priority over exchange rate objectives when conflicts arise, except perhaps in circumstances of large misalignments. At the same time, it was noted that the objectives of price stability and exchange rate stability would often be mutually consistent, and that there was still a role for managing exchange rates

Box 4

Monetary Unions and Common Currency Areas

The existence of monetary unions and common currency areas has important implications for the stability of the monetary system. At an informal session in July 1991, the Board examined a wide range of issues concerning the formation and operation of common currency areas. These issues are especially relevant for the European Monetary System and for many other countries in existing or prospective currency unions.

Directors cited the benefits of joining a currency union, while conceding that these were difficult to measure precisely. Apart from reduced transaction costs—associated with the wide circulation of a single currency—and increased economic discipline, some Directors noted that the major benefit was being part of a large-scale financial capital market within a stable economic environment. (The latter was in prospect for Europe, along with the possibility of international use of the European currency unit.) In general, the benefits of a currency union were likely to be greater—and the costs of individual countries' abandoning the exchange rate instrument smaller—the more participating countries met the following criteria:

- high mobility of factors of production (labor and capital);
- economic openness (in the sense of having a relatively large tradables sector) and regional trade interdependence;
- diversification of the members' industrial structure and asset portfolios;
- wage and price flexibility;
- fiscal discipline; and
- convergence of interest and inflation rates.

The success of a currency union was seen to depend heavily on the credibility it enjoys, however, which underscores the importance of political considerations. In addition, institutional features were highly relevant, specifically, the nature of relations between monetary and fiscal institutions. Issues raised in this connection were the degree of central bank independence, the possible need for constraints on participants' national fiscal policies, and the possible need for fiscal transfers to depressed regions of the monetary union (to serve as a shock absorber). The scope for pursuing independent monetary policy within a currency union is severely limited, since monetary aggregates and interest rates must be geared toward maintaining exchange rate stability. It was pointed out that although some governmental influence on the determination of the union's external exchange rate was unavoidable, the union's central bank had to be given independence. It was noted, in this context, that the achievement of such independence was vital to the design of a European central bank.
Directors recognized that the ability to resist pressure for overexpansionary monetary policies would take

between the anchor currencies to counter speculative runs and other forms of inefficient behavior when they arose.

In discussing fiscal policy, a few Directors felt that the best way to promote fiscal discipline was to strengthen institutional arrangements and to increase peer pressure. Some Directors supported the development of explicit fiscal indicators of excessive deficits to enhance budgetary discipline, but many opposed rule-based international coordination of fiscal policies and operation of automatic fiscal stabilizers to strengthen the countercyclical thrust of fiscal policy. Stronger Fund surveillance of fiscal policies, it was agreed, was the more realistic and effective option to pursue.

With respect to tax and regulatory issues, several Directors felt that major uncoordinated changes in tax rates or regulatory policies could lead to capital movements and exchange rate instability. Others cautioned that attempts to harmonize fiscal and regulatory policies could compromise good policies by diverting the authorities from the pursuit of the best fiscal and regulatory practices. Structural reforms that promoted greater flexibility in the economy could facilitate greater exchange rate stability over the medium term, Directors generally agreed, and they encouraged more efforts in this direction.

Some Directors wondered how the Fund could help strengthen multilateral surveillance, especially the policy coordination efforts of the Group of Seven industrial countries. In this connection, the Board pointed to the world economic outlook exercise and its contribution of an analytical framework for addressing the interactions among Group of Seven countries and the impact of their policies on the rest of the world. The Fund would continue to enhance its analyses of key global issues, since persuasive analysis underpinned effective policy coordination. It would also analyze the effects of evolving

time to acquire, but agreed that credibility hinged on a good track record and the support of other economic policies.

Fiscal discipline was also thought to be a critical condition for monetary union. Members had therefore to establish institutions that would avoid the monetization of fiscal deficits. A few Directors cited the need for explicit indicators to judge the appropriateness of budgetary positions in order to achieve effective surveillance.

Some Directors believed that, as the economic performance of the union as a whole depended on the performance of individual members, less-than-optimal national policies would lead to pressure for an easing of monetary policy at the central level and for increased assistance, in the form of fiscal transfers, to depressed areas.

The European Community, it was agreed, does not fulfill all the criteria for an optimal currency union; different languages as well as historical and cultural traditions would continue to impede labor mobility within Europe. A few Directors, pointing primarily to political constraints, saw little prospect for developing a true European budgetary policy.

Given the large disparities among EC countries with respect to price stability and per capita GDP, Directors agreed that an important issue was the extent of nominal or real convergence necessary or sufficient for the success of a monetary union. While several Board members thought that substantial convergence was necessary for the formation of a monetary union or common currency area, others noted that convergence and the movement toward monetary union were mutually reinforcing. Some others believed that nominal convergence would necessarily result from monetary union, although it was less clear that real convergence would also result. The United States exhibited considerable regional convergence, but it was unclear how much was due to such variables as labor mobility and fiscal transfers.

Directors held differing views on the appropriate speed of transition toward monetary union in Europe. A few felt that a relatively fast transition would help alleviate the risk of speculative tensions and shocks with asymmetric effects; some believed that a gradual approach would enhance prospects for achieving the best, as opposed to the average, level of inflation; and several thought that the pace of transition would ultimately be decided on the basis of social and political considerations. Clearly, some transition period was required to set up new institutions and formulate operating procedures. Ultimate responsibility for monetary policy, it was agreed, must be clearly assigned; otherwise, instability would result.

Box 5

The Maastricht Agreement on Economic and Monetary Union in the European Community

A major structural change in the international monetary system will occur during the 1990s as the members of the European Community proceed with their economic and monetary union. At the Maastricht summit in December 1991, the heads of state and government of the European Community agreed on far-reaching proposals for the transition to a single currency, the ECU, and the establishment of a European System of Central Banks. The monetary union will be reached in three stages, as envisaged in the report of the Delors Committee issued in April 1989.[1]

During Stage I, which began on July 1, 1990—the date when the free movement of capital came into force in the EC—and Stage II, due to begin on January 1, 1994—when it is planned to establish the European Monetary Institute (EMI)—member governments will endeavor to achieve greater convergence of their economies as measured by four criteria: inflation, interest rates, exchange rate stability, and the sustainability of the fiscal position. At the start of Stage III, which could begin as early as 1997 but not later than January 1, 1999, member states that participate in the final stage will irrevocably fix their exchange rates and subsequently introduce a single currency.

Other member states will join once their economies are found to meet the necessary conditions. The United Kingdom, however, retains the right not to join the monetary union. Denmark held a referendum on June 2, 1992 in which voters, by a narrow margin, rejected the proposed treaty, while Ireland on June 18, 1992 voted in favor of the treaty.

The agreement firmly establishes that the primary objective of monetary policy and exchange rate policy "shall be to maintain price stability and, without prejudice to this objective, to support the general economic policies in the Community, in accordance with the principle of an open market economy with free competition." In support of the price stability objective, the member states will endeavor to avoid excessive budget deficits and have agreed to eliminate central bank financing of public expenditure by the beginning of Stage II. They have also agreed to make their central banks independent of governments by the beginning of Stage III. Once a single currency has been adopted, the member states are obliged to continue to avoid excessive budget deficits, and procedures have been agreed that would allow the Council of Ministers to take measures against a member state that fails to comply with a Council decision that its deficit must be reduced. In examining the reasons for excessive deficits, the Commission will consider the possible influence of exceptional or temporary factors.

Monetary Institutions

At the beginning of Stage II, a new institution, the European Monetary Institute (EMI), will be established, replacing the Committee of Central Bank Governors. The EMI will be directed and managed by a Council consisting of the governors of the central banks of the member states and a President appointed by the European Council. Although the EMI will not be responsible for monetary policy, it will provide a forum for strengthening the coordination of monetary policies of the member states. The EMI will also promote greater cooperation in all aspects of central bank policy; facilitate the use of the ECU and oversee the smooth functioning of the ECU clearing system; prepare the instruments and procedures necessary for carrying out a single monetary policy in the third stage; and supervise the technical preparation of ECU bank notes.

In Stage III, the EMI will be replaced by a European Central Bank (ECB) which, together with the central banks of the member states, will form the European System of Central Banks (ESCB). The basic tasks of the ESCB will be to formulate and implement the monetary policy of the Community; conduct foreign exchange operations, taking into account "orientations" formulated by the Council of Ministers; hold and manage the official foreign reserves of the member states; and promote the smooth operation of payments systems.

Convergence Criteria

For each country, the economic conditions for participation in the monetary union and adoption of the ECU are expressed in quantitative terms for a range of indicators. First, consumer price inflation in the year prior to examination by the European Council must not exceed by more

[1]Committee for the Study of Economic and Monetary Union, *Report on Economic and Monetary Union in the European Community* (Luxembourg, 1989).

than 1½ percentage points the average for the three member states with the lowest inflation rates. Second, interest rates on long-term government securities must not be more than 2 percentage points higher than those in the same three member states. Third, the currency must have been held within the narrow band of the exchange rate mechanism of the European Monetary System for two years without a downward realignment at the initiative of the member state in question. Finally, a sustainable financial position must be attained. Key indicators for assessing sustainable financial positions are a general government deficit not greater than 3 percent of GDP and a ratio of public debt to GDP of not more than 60 percent. If these indicators are exceeded, a Commission report would be triggered, on the basis of which the Council of Ministers would determine whether or not a budget deficit is excessive.

In the evaluation of progress toward the economic convergence criteria, the treaty allows for a degree of discretion. The final judgment on whether a member state meets the economic criteria will be made by one or more summits of EC heads of state and government, the first of which will be held in 1996. In coming to a decision, the summit will take into account other indicators of economic performance, such as unit labor costs, the current account of the balance of payments, and the integration of markets. The summit must also decide—as a precondition for EMU to begin in 1997—whether a majority of countries have achieved convergence. If this is not the case, an additional summit to be held before mid-1998 will determine which, if any, member states satisfy the convergence criteria; Stage III will in any event begin on January 1, 1999, at the latest, with those countries that meet the convergence criteria.

Structural Adjustment

The monetary union is intended to support other aspects of integration. The single market program, already being implemented and due to be completed by the end of 1992, provides for the integration of markets in goods, services, capital, and labor and for close harmonization of national standards in a wide range of areas. It thus opens virtually all aspects of economic activity to free competition. The program also includes plans to harmonize taxes across the member states, notably excise taxes and value-added tax rates, where member states have now reached a political agreement on a minimum standard rate of 15 percent and a reduced minimum rate of 5 percent. To promote financial integration, the single market program envisages the establishment of a single market for financial services. A number of EC directives, several of which have already been approved, establish standards for market entry, solvency, capital adequacy, and accounting procedures. However, responsibility for prudential supervision of financial market institutions remains with national authorities.

Enlargement and Association Agreements

The Maastricht agreement provides that "any European State whose systems of government are founded on the principle of democracy may apply to become members of the [European] Union." Some countries have already applied for membership in the Community, including Austria, Cyprus, Finland, Malta, Sweden, Switzerland, and Turkey. In terms of monetary cooperation, Finland, Norway, and Sweden have linked their currencies to the ECU, and Austria for a long time has linked the schilling closely to the deutsche mark.

Austria and Sweden, together with other members of the European Free Trade Association (EFTA), have also recently concluded negotiations with the EC for the establishment of a European Economic Area, extending the Community's single market for goods, services, capital, and labor among the member countries of the EC and EFTA. This agreement, which was signed in May 1992, will help EFTA area candidates for EC membership adapt their structural policies to match those of the Community, thereby preparing the ground for membership.

In addition, in 1991 the Community concluded association agreements with Czechoslovakia, Hungary, and Poland that provide for assistance and liberalization arrangements with the EC, under which the latter would have a shorter phase-in period. Negotiations on association agreements with Bulgaria and Romania are expected to begin in 1992. Several of the Eastern European countries have indicated their intention of applying for full membership in the European Community in due course.

regional monetary unions on the rest of the world.

In discussing the issue of deficiencies in global liquidity, many Directors shared the view that the concerns related mainly to the mechanisms through which global liquidity is distributed among countries, rather than to the total amount of global liquidity. Some questioned the ability of private markets to assess creditworthiness effectively, pointing to the history of stop-go patterns and contagion effects in credit flows. Others saw no convincing evidence of contagion effects and market failure, and felt that much of the markets' credit allocation was guided by the strength of borrowing countries' adjustment efforts. Many Directors looked forward to a comprehensive assessment of the international liquidity system and of the role of the SDR. In the latter connection, it was suggested by some that the SDR might be "hardened" to make it a yardstick of exchange rate stability. The Interim Committee, at its April 1992 meeting, called on the Board to report on international liquidity issues and the SDR at its next meeting in September 1992.

2. Fund Financial Support of Member Countries

There was a sharp rise in overall Fund financial support for member countries during 1991/92. New commitments totaled SDR 8.7 billion, compared with SDR 5.6 billion in 1990/91, with 29 new arrangements approved. Three large borrowers—Argentina, Brazil, and India—accounted for more than two thirds of total commitments, and a number of countries drew on Fund resources following the Middle East crisis. Commitments to the former centrally planned economies declined sharply, relative to exceptionally high levels in the previous year.

In a review of conditionality under stand-by and extended arrangements in July 1991, the Board noted that member countries' economic performance under the 44 programs reviewed (covering 1985–88) was better than under similar programs during the early 1980s, but that continued improvement was needed. No major operational changes were made to the guidelines, which, the Board concluded, continued to provide an appropriate basis for Fund policies on the use of its resources.

The Board also reviewed the operations of the structural adjustment facility (SAF) and the enhanced structural adjustment facility (ESAF) during the five years through the end of May 1991. Directors were encouraged that countries had made considerable strides, especially under the ESAF. But despite this progress, it was important for governments to continue to sustain policy adjustments to promote external viability with sustainable growth. In April 1992, the Fund extended eligibility to use the ESAF to 11 more countries.

The Fund continued to collaborate closely with the World Bank by coordinating both policy advice and financial assistance. This collaboration intensified during the last year, in connection with the provision of advice to the states of the former U.S.S.R.

During the meetings of the Interim Committee in April 1992, the Committee called on the international community to provide adequate support for the stabilization and reform programs of the states of the former U.S.S.R. and to help finance a stabilization fund for the ruble, provided appropriate conditions were met. At the same time, the countries that lend to the Fund under the General Arrangements to Borrow agreed to activate these arrangements to help finance a fund to stabilize the ruble.

Main Developments

The Fund's financial support for its members rose sharply during the financial year ended April 30, 1992. Total commitments increased to SDR 8.7 billion, compared with SDR 5.6 billion a year earlier. The Board approved 29 new arrangements (9 more than 1990/91), including 21 stand-by arrangements totaling SDR 5.6 billion; 2 extended arrangements totaling SDR 2.5 billion; 1 arrangement under the SAF for SDR 3.2 million; and 5 arrangements under the ESAF, totaling SDR 636.6 million. Eleven countries made drawings under the compensatory and contingency financing facility (CCFF), totaling SDR 1.4 billion. At the end of the financial year, a record 53 countries had arrangements with the Fund.

The increase in the demand for Fund resources during 1991/92 stemmed from two major developments:

• the adoption of Fund-supported economic and structural reform programs by three large borrowers—Argentina, Brazil, and India—which together accounted for commitments of SDR 6.1 billion, or more than two thirds of the total; and

• the sharp rise in world oil and gas prices following the outbreak of the Middle East crisis in August 1990, which prompted a number of countries to adopt Fund-supported programs and to make drawings under the specially introduced and temporary oil element of the CCFF.[2]

Commitments to the former centrally planned economies declined to SDR 0.4 billion during 1991/92, from SDR 3.6 billion in the previous financial year. The decline reflected two related developments:

• the approval of fewer arrangements—three in 1991/92 (with Bulgaria, Czechoslovakia, and Mongolia), compared with five in 1990/91 (with Bulgaria, Czechoslovakia, Hungary, Poland, and Romania); and

• the adoption by Hungary and Poland of large, three-year extended arrangements during 1990/91.

In addition, rates of access to Fund resources declined in 1991/92 from exceptionally high levels previously, as the former centrally planned economies completed the initial stages of their systemic reforms.

Conditionality

The Fund makes its resources available to its members under certain conditions. These are designed to bring about effective economic adjustment and to ensure that the use of Fund resources is temporary and otherwise consistent with the Fund's objectives. Fund financial support is therefore closely linked to a member's progress in implementing policies to reduce its balance of payments deficit in the medium term, while promoting financial stability, growth, and employment and eliminating (or avoiding intensifying) restrictions on international payments.

In adapting this "conditionality" to meet new situations, the Fund draws on the experience with individual programs and Article IV consultations. In addition, the Executive Board conducts periodic reviews of the overall experience with Fund-supported programs.

The most recent such review was carried out in July 1991. It covered the experiences of 21 countries under 44 annual programs of policy adjustment, which were supported by upper credit tranche stand-by or extended arrangements (under which members are required to comply with certain economic performance criteria) during 1985–88. During the review, the Board focused on a number of issues, including the overall record of policy reform in countries in terms of the extent to which they complied with policy targets and the link between key policy variables (such as tax and expenditure policies, interest rates, and exchange rates) and program results in terms of economic performance. The Board also considered various operational issues related to the use of Fund resources.

Directors noted that performance under the programs reviewed was better than in similar programs during the early 1980s but that continued improvement was needed. There was a strong link between successfully carrying out the planned fiscal and credit policies and achieving balance of payments, inflation, and growth objectives. But this relationship was far from perfect. Greater understanding was needed of the interaction between fiscal, monetary, and exchange rate policies and macroeconomic performance, and of how other measures—especially in the structural area—influenced the effectiveness of macroeconomic policies.

The Board stressed the importance of a favorable external environment and terms of trade for the success of programs. Also important was the need to ensure adequate financial support, both at the start of the reform process and later.

Fiscal policy played a key role and fiscal developments needed to be tracked closely. The effectiveness of the Fund's technical assistance in this area could also be improved—for example, by relating it more to program needs and by monitoring more closely the way in which recommendations were carried out. While recognizing that fiscal slippages have generally occurred for policy rather than technical or organizational reasons, the Board recognized that an adequate public expenditure management system was important for lasting fiscal adjustment. But noting the practical difficulty of quantifying progress in this area, it endorsed the Fund's emphasis on prior actions and periodic reviews.

Directors emphasized that exchange rate policies had to be supported by sound fiscal and monetary policies. They agreed that when the exchange rate was

[2] See *Annual Report, 1991*, page 52.

seriously out of line, its move to a more appropriate level should be ensured early in the program. Appropriate interest rate levels also needed to be established as early as possible, to mobilize financial savings and to ensure that these were channeled efficiently. Directors noted the importance of promoting private capital inflows, including through policies aimed at reversing capital flight.

Following its review, the Board made no major operational modifications to the guidelines on conditionality and concluded that these continued to provide an appropriate basis for Fund policies on the use of its resources.

Preliminary Review of Access Policy and Limits

The Board conducted a preliminary review of the enlarged access policy and access limits in November 1991. It agreed that the access policies that are to be established under the new quotas due to come into effect following the Ninth General Review must continue to be applied prudently, to strike an appropriate balance between members' needs for financing and adjustment and the revolving nature of Fund resources: these access limits were ceilings, not targets.

Directors indicated that the maximum potential access available under the present enlarged access policy (see Box 6), should be maintained, at least temporarily, under any new access policy that would follow the implementation of the quota increases under the Ninth General Review.

In addition, Directors agreed that, as the Fund was not now expected to make new borrowings following the quota increases, financing of access under the enlarged access policy should be ended once the new quotas become effective. All drawings (purchases) under stand-by and extended arrangements would be financed by ordinary resources.

During the spring meeting of the Interim Committee in April 1992, the countries participating in the

Box 6

Fund Facilities and Policies

The facilities and policies through which the Fund provides financial support to its members differ, depending on the nature of the macroeconomic and structural problems they seek to address and the degree of conditionality attached to them.

Regular Facilities

- *Tranche policies*. The Fund's credit under its regular facilities is made available to members in four tranches or segments of 25 percent of quota each. For *first credit tranche purchases*, members are required to demonstrate reasonable efforts to overcome their balance of payments difficulties. Performance criteria are not applied and repurchases (or repayments) are made in $3^1/_4$ to 5 years. *Upper credit tranche purchases* are normally associated with *stand-by arrangements*. These typically cover periods of one to two years and focus on macroeconomic policies—such as fiscal, monetary, and exchange rate policies—aimed at overcoming balance of payments difficulties. Performance criteria to assess policy implementation—such as budgetary and credit ceilings, reserve and external debt targets, and avoidance of restrictions on current payments and transfers—are applied during the period of the arrangement and purchases (or drawings) are made in installments. Repurchases are made in $3^1/_4$ to 5 years, except in the case of purchases made with resources borrowed by the Fund under the enlarged access policy.
- *Extended arrangements*. Under extended arrangements, the Fund supports medium-term programs that generally run for three years (up to four years in exceptional circumstances), and are aimed at overcoming balance of payments difficulties stemming from macroeconomic and structural problems. Typically, a program states the general objectives for the three-year period and the policies for the first year; policies for subsequent years are spelled out in annual reviews. Performance criteria are applied, and repurchases are made in $4^1/_2$ to 10 years, except in the case of purchases made with resources borrowed under the enlarged access policy.
- *Enlarged access policy*. Introduced as a temporary policy, the enlarged access policy is used to increase the resources available under stand-by or extended arrangements for programs that need substantial Fund support. Since 1986, access to the Fund's general resources under the enlarged access policy has been subject to annual limits of 90 percent or 110 percent of quota; three-year limits of 270 percent or 330 percent of quota; and cumulative limits, net of repurchases, of 400 percent or 440 percent of quota, depending on the seriousness of a member's balance of payments

General Arrangements to Borrow agreed to activate these arrangements to help finance a fund to stabilize the ruble, provided that conditions are appropriate.

Protecting the Poor

The reduction of poverty is a central goal of development and, in recent years, a consensus has emerged on policies that promote broadly based growth and improve the access of the poor to education, health, and other social services. Along with the rest of the interna-

need and the strength of its adjustment effort. In November 1990, the Fund suspended temporarily (until the end of 1991) the lower annual, three-year, and cumulative limits. The Fund borrowed to help finance purchases under the enlarged access policy, and repurchases of purchases financed with borrowed resources are made in 3½ to 7 years. In September 1990, the Board decided that once borrowed resources had been fully used, ordinary resources would be substituted to meet commitments of borrowed resources in financing purchases made under the enlarged access policy. This decision will expire on September 30, 1992 or on the date of effectiveness of the quota increases under the Ninth General Review, whichever is earlier.

Special Facilities

- *Compensatory and contingency financing facility* (CCFF). The purpose of this facility is twofold. The compensatory element provides resources to members to cover shortfalls in export earnings and services receipts and excesses in cereal import costs that are temporary and arise from events beyond their control. The contingency element helps members with Fund arrangements to maintain the momentum of reforms when faced with a broad range of unforeseen adverse external shocks, such as declines in export prices, increases in import prices, and fluctuations in interest rates. Repurchases are made in 3¼ to 5 years. In November 1990, the Fund introduced a temporary oil import element in the CCFF—which lapsed at the end of 1991—to compensate members for sharp increases in import costs for crude petroleum, petroleum products, and natural gas.
- *Buffer stock financing facility*. Under this facility the Fund provides resources to help finance members' contributions to approved buffer stocks. Repayments are made within 3¼ to 5 years, or earlier.

Emergency Assistance

In addition to balance of payments assistance under its tranche policies and special facilities, the Fund provides emergency assistance in the form of purchases to help members meet payments problems arising from sudden and unforeseeable natural disasters. Such purchases do not involve performance criteria or the phasing of disbursements, and must be repurchased in 3¼ to 5 years.

Facilities for Low-Income Countries

- *Structural adjustment facility* (SAF) arrangements. These enable the Fund to provide resources on concessional terms to support medium-term macroeconomic adjustment and structural reforms in low-income countries facing protracted balance of payments problems. The member develops and updates, with the help of the Fund and the World Bank, a medium-term policy framework for a three-year period, which is set out in a policy framework paper. Within this framework, detailed yearly policy programs are formulated and are supported by SAF arrangements, under which annual loan disbursements are made. The programs include quarterly benchmarks to assess performance. The rate of interest on SAF loans is 0.5 percent, and repayments are made in 5½ to 10 years.
- *Enhanced structural adjustment facility* (ESAF) arrangements. The objectives, conditions for eligibility, and program features under these arrangements are similar to those under SAF arrangements. However, ESAF arrangements differ in the scope and strength of structural policies, and in terms of access levels, monitoring procedures, and sources of funding. In November 1990, the Board endorsed the possibility of an additional one-year ESAF arrangement for members that have already completed a three-year ESAF arrangement, provided the fourth arrangement is approved before the end of November 1992, and so long as resources are available.

tional community, the Fund is continuing to find ways, commensurate with its mandate as a monetary institution, to contribute to reducing poverty in the developing world. In working toward this goal, it has emphasized four areas in particular.

- The Fund helps its members pursue sound macroeconomic and structural policies, which promote sustainable growth worldwide.
- The Fund assists member countries in assessing the impact that policy reforms are likely to have on the poor. To this end the staff of the Fund cooperate and exchange information with other concerned agencies, including the World Bank and such UN agencies as the UN Development Program (UNDP), the International Labor Organization (ILO), and the World Health Organization (WHO), to discuss the implications of economic policies for poor groups, as well as the appropriate policy mix to achieve reform. The policy framework process for SAF and ESAF arrangements, which involves member governments, the Fund, and the World Bank, is a major instrument for cooperation. Also, the staff of the Fund has cooperated with the World Bank in preparing the *Poverty Reduction Handbook*, in overseeing the *Social Dimensions of Adjustment Project*, and reviewing public expenditure policies in Africa in the context of the *Special Program of Assistance*.
- The Fund also helps its members, in some cases through technical assistance missions, to integrate social safety nets into their reform programs to minimize any adverse effects these may have on the poor. This work often entails substantial World Bank involvement. The Fund's role is to integrate these measures into the macroeconomic framework of the economy. Examples of these include establishing special investment funds (in, for example, Bolivia, Costa Rica, El Salvador, and Honduras); reforming subsidies on basic commodities (Algeria, the Islamic Republic of Iran, Jamaica, Jordan, and Trinidad and Tobago); strengthening food security (Bangladesh and Mozambique); improving the targeting of educational programs (Kenya); and introducing and reforming social security benefits (Algeria, Pakistan, Tunisia, and several Eastern European countries). When the Fund gives policy advice, it bears in mind the social impact of reforms, as, for example, when it advises a country such as Egypt on the pace of reforming subsidies.
- Technical assistance on social safety nets has also been provided in Russia, as well as during missions to other states of the former U.S.S.R.

Box 7

The General Arrangements to Borrow

Established in 1962, the General Arrangements to Borrow (GAB) permit the Fund to borrow, in certain circumstances, from 11 industrial country members (the United States, Germany, Japan, the United Kingdom, France, Italy, Canada, the Netherlands, Belgium, Sweden, and Switzerland). The GAB were originally designed to enable the participants to strengthen the Fund by lending to it specified amounts of their currencies. These loans would be made when supplementary resources were needed to help finance purchases by GAB participants where such financing would forestall or cope with an impairment of the international monetary system. Credit lines available until December 1983 totaled the equivalent of SDR 6.4 billion in lenders' currencies.

The GAB were reviewed in February 1983 to provide for a substantial enlargement of the credit available, to SDR 17 billion, with an additional SDR 1.5 billion under an associated arrangement with Saudi Arabia. Although the earlier GAB carried a rate of interest below market rates, this rate was raised to the level of the SDR interest rate when the GAB were enlarged. In addition, the GAB were amended, inter alia, to permit the Fund to use the GAB to finance transactions with nonparticipants. Since this far-reaching amendment, the GAB have been renewed without change through December 25, 1993. The decision establishing the GAB will be reviewed by the Board by December 24, 1992.

Military Expenditure

In recent years, the Fund and the World Bank have placed increased emphasis on the implications for growth and external prospects of the composition of expenditure. One item of public expenditure that has hitherto received little attention is military spending, which currently amounts to about 5 percent of world GDP. Recent developments around the world have led to increased attention to such spending and to questions about its appropriate level.

The Board discussed military spending and the role of the Fund in October 1991. During the discussion, most Directors indicated that, as military expenditure can have an important bearing on a member's fiscal policy and external position, information about such expenditure may be necessary to permit a full and internally consistent assessment of the member's economic position and policies. At the same time, Directors emphasized that national security and judgments about the appropriate level of military spending required to assure that security were the prerogative of national governments and were not part of the Fund's work.

Directors agreed that, at a minimum, and for all Fund members, aggregate data, which include fiscal expenditures (including off-budget items), international trade, and external assets and liabilities must be reported fully to the Fund. These data should therefore encompass military transactions, even if not separately identified. The Fund staff will continue to request a breakdown of government expenditures, but still at a highly aggregated level. It will also continue to rely on the voluntary cooperation of national authorities in the submission of data. Directors further agreed that data on military expenditures should not serve as a basis for establishing performance criteria or similar conditions associated with Fund-supported programs.

Box 8

The Fund and the Environment

Cognizant of the growing public concern over the potential effect of economic policies on the environment, the Board in early 1991 informally considered the extent to which the Fund should address environmental issues.[1] At that time, the Board concluded that the Fund staff should recognize the linkages between economic policies or developments and the environment. This would help the Fund to avoid recommending policies that could have undesirable environmental consequences, while ensuring that the thrust of its actions promotes balance of payments viability and sustainable growth. In addition, Fund staff would need to be aware of any implications of targeted environmental policies for macroeconomic developments.

The Fund has begun to liaise with other organizations undertaking environmental research and to channel relevant information to the Fund staff. The staff members assigned to this work are helping to increase the Fund staff's general awareness of environmental issues and to assist Fund missions to member countries to conduct more informed discussions with governments facing macroeconomic policy choices that might have major environmental implications. In this respect, Fund staff have established contacts with the national and international organizations most likely to be undertaking environmental work of relevance to the Fund. Among the international agencies with which such contacts have been made are the World Bank, the Organization for Economic Cooperation and Development (OECD), and the UN Conference on the Environment and Development (UNCED).

[1] *Annual Report, 1991*, page 54.

Fund-Bank Collaboration

The Fund and the World Bank both seek to promote sustained economic growth, stability, and development in their member countries. Although their charters give them different though complementary mandates (see Box 9), they cooperate closely through coordinating policy advice and financial assistance to help their members progress toward these objectives. As both the Fund and the Bank have moved toward the operational stage of assisting new members from the former U.S.S.R., the complexity and extent of the transition of these countries to market economies have required the closest coordination between the two institutions. This collaboration is especially important as many sources of financial and technical assistance to these new countries will rely on the assessments of macroeconomic and structural reform made by the Fund and the World Bank.

The existing bases for collaboration between the Fund and the World Bank are the guidelines for cooperation that were first formalized in 1986, and regularly reviewed since then. In March 1989, the two managements clarified the primary responsibility of each institution and agreed to avoid duplication of work by putting in place administrative procedures for collaboration and more efficient use of staff resources. In reviewing these guidelines in August 1990, the Board of the Fund reaffirmed that the Fund's primary responsibility is in the area of macroeconomic policies and the related policy instruments and institutions, while the Bank's primary responsibility is in the area of structural reform and resource allocation to the public and private sectors.

These procedures have fostered a close working relationship between the staffs of the two institutions, among other things, through regular meetings of senior staffs and managements. These are supplemented at the operational level by systematic contacts in the field, joint or parallel missions, the exchange of documents, and cooperation in technical assistance activities. This increasingly close collaboration is aimed at avoiding giving conflicting policy advice to countries, while expediting the provision of financial assistance.

Taking account of the demands of the potential new members from the countries of the former U.S.S.R., in April 1992 the Fund's Managing Director and the World Bank President agreed on an addendum to the 1989 guidelines on processes of collaboration on these countries, to ensure that they provide the best and consistent advice in a timely fashion. They stressed that four aspects of collaboration should be addressed in particular:

- assessment of macroeconomic adjustment needs, the priorities for structural reforms, and the complementarity of policy requirements in each of these areas for success in the other;
- coordination in the development of individual adjustment and reform programs, and on the critical interrepublic issues that transcend country specific programs;
- coordination with other institutions; and
- arrangements for mobilizing financial assistance.

These procedures were supported in the Executive Boards of the Fund and the World Bank.

The Bank and the Fund have also collaborated closely in other areas. They have continued to assist countries with overdue financial obligations to either or both institutions to meet current obligations and eliminate existing arrears. Since the strengthened cooperative strategy on overdue obligations was introduced in 1989 (see *Annual Reports 1990* and *1991*), such close collaboration has been successful in eliminating protracted arrears to both institutions in the cases of Guyana, Honduras, Nicaragua, and Panama, and active efforts to this end are continuing in a number of other countries.

There is continuing close collaboration to help resolve the debt problems for countries, and the staffs of the Fund and the World Bank have coordinated their support of debt- and debt-service-reduction packages being introduced as a part of members' policy adjustment programs. Close collaboration has been maintained on adjustment support for low-income countries in the context of the Bank's Special Program of Assistance for Debt Distressed Countries in Sub-Saharan Africa, including more recently assistance to meet the urgent need arising from the drought in southern Africa.

The policy framework paper process for countries eligible under the SAF and the ESAF is strengthened by promoting a more central role for the countries receiving assis-

Box 9

The Distinct Roles of the IMF and the World Bank

International Monetary Fund

- Oversees the international monetary system and promotes international monetary cooperation.
- Promotes exchange stability and orderly exchange relations among its members.
- Assists members in temporary balance of payments difficulties by providing short- to medium-term financing, thus providing them with the opportunity to correct maladjustments in their balance of payments.
- Supplements the reserves of its members by allocating SDRs if there is a long-term global need.
- Draws its financial resources principally from the quota subscriptions of its members.

The World Bank

- Seeks to promote the economic development and structural reform in developing countries.
- Assists developing countries through long-term financing of development projects and programs.
- Provides special financial assistance to the poorest developing countries through the International Development Association (IDA).
- Stimulates private enterprises in developing countries through its affiliate, the International Finance Corporation (IFC).
- Acquires most of its financial resources by borrowing on the international bond market.

tance and a greater involvement of donors, as well as through close collaboration between the two staffs. The Fund staff relies to a considerable extent on the advice of the staff of the World Bank in preparing medium-term policy measures designed to address the social aspects of SAF- and ESAF-supported programs. A similar procedure has been applied for centrally planned economies in transition, such as Hungary, Mongolia, and Poland.

Review of SAF/ESAF

In September 1991, the Board reviewed the operations of the SAF and the ESAF. The review covered the experiences of 36 low-income countries, under a total of 93 annual arrangements over a five-year period through the end of May 1991.

The Board was encouraged that most countries had made considerable strides, especially under the ESAF, and that a few were approaching a position where they would not need further exceptional financial assistance. But despite this progress, it was important that governments continue to sustain and strengthen policy adjustments to promote external viability with sustainable growth.

Countries that had persisted with reform programs over several years in the domestic price, exchange, and trade system areas—and had supported these reforms with strong fiscal and monetary policies—had achieved both stronger growth and export expansion and diversification.

This experience underscored the need to move quickly in policy areas that promote the external sector, and to target an ambitious inflation objective. In particular, Directors urged that needed exchange rate changes be made early in the adjustment program and that more gradual approaches be avoided. Exchange rate policies should be supported by strong fiscal, monetary, and structural measures.

Directors emphasized the importance of fiscal restraint. Noting that fiscal adjustment had often fallen short of program objectives, they called for more cautious programming of the response of tax revenues to tax reform and for closer expenditure control and monitoring. At the same time, unproductive current expenditure could be reduced and the programming of public investment improved.

Priority should be given to those structural policies that contribute directly to macroeconomic stability. Improving administrative capacity in countries was also critical; timely and well-coordinated technical assistance could play a stronger role here.

Close attention should be given to strengthening the medium-term balance of payments outlook under ESAF-supported programs. Noting that in several cases the prospects for external viability later proved to be less promising than initially envisaged, a number of Directors stressed the need to achieve such viability within three years.

Given the critical importance of World Bank and aid donors' support for countries' adjustment efforts, the information on aid flows and on the coordination of such flows needed to be further improved, in the Board's view. The policy framework paper process remained useful in promoting Fund, World Bank, and country collaboration, and should be strengthened. The process should also be used more effectively to coordinate technical assistance in areas essential to programs.

Turning to operational aspects of SAF/ESAF arrangements, Directors were concerned at the slow pace of use of ESAF resources but agreed that the standards of ESAF-supported programs should be maintained. A top priority was to encourage countries to adopt more speedily strong programs that could be supported by the ESAF. Given the disparity in the performance under programs supported by the SAF and the ESAF, Directors urged that more attention be given to improving the monitoring of performance under the SAF.

In addition, Directors agreed to:

- maintain the end of November 1992 cutoff date for commitments under three-year ESAF arrangements (see Box 6) and to take up this matter again during the 1992 SAF/ESAF review; and
- keep the target for the ESAF Trust (a source of funding for ESAF arrangements) at SDR 6.0 billion and the interest rate on ESAF Trust loans at 0.5 percent—although additional loan and subsidy contributions would be needed to achieve these aims.

On relations with members once ESAF-supported programs had been completed, Directors noted that where countries had no need for exceptional financing and macroeconomic stability had broadly been achieved, Article IV consultation discussions would suffice to maintain policy dialogue. In other cases, most Directors thought additional consultation and monitoring arrangements might be useful to rely on for a limited transitional period, if requested by the member country. These might be supplemented by the preparation of a policy framework paper if country authorities, aid donors, the World Bank, and the Fund see this as beneficial. Directors stressed that in its post-ESAF relations with members, the Fund should be prepared to be pragmatic and to adapt its approach to the needs and the specific circumstances of the countries concerned, drawing as appropriate on its experience.

Some countries would continue to need exceptional financing and policy adjustment after completing their three-year ESAF arrangements. Most Directors agreed that support under a four-year ESAF arrangement—on an exceptional basis rather than as a rule, and probably at a declining level of access—might be appropriate here. But such support would be extended where

- policy performance has been strong;
- use of the resources of the General Resources Account is not compatible with the country's debt-servicing capacity;
- donors and creditors are expected to provide concessional support for continued reforms; and
- the arrangement can be approved before the November 1992 cutoff date.

Box 10

Expansion of ESAF Eligibility

In April 1992, the Fund extended eligibility to use the ESAF to 11 more members: Albania, Angola, Côte d'Ivoire, the Dominican Republic, Egypt, Honduras, Mongolia, Nicaragua, Nigeria, the Philippines, and Zimbabwe. All these countries, some of which are recent members of the Fund, share characteristics—such as low per capita incomes, high debt burdens, and protracted balance of payments difficulties—with those members already eligible to borrow under the ESAF.

The ESAF arrangements for the newly eligible members will adhere to the normal modalities and conditionality standards of the ESAF, including the policy framework paper. Access under the ESAF for newly eligible members will be lower than for the other eligible members, reflecting an agreement by the former group to rely exclusively on ESAF Trust resources. (By contrast, other eligible members also have access to SAF resources to fund their ESAF arrangements.)

Depending on balance of payments needs, the use of ESAF Trust resources by the newly eligible members could be blended with resources from the General Resources Account, preferably under an extended arrangement. Many Directors attached importance to the current degree of concessionality of ESAF lending. They noted that current subsidy contributions are sufficient to finance lending of SDR 4.7 billion and stressed the possible need for further contributions. It will be necessary to continue to manage cautiously access to ESAF Trust resources, including seeking further subsidy contributions so as to reduce the chance that consideration would need to be given to raising the ESAF interest rate.

Compensatory and Contingency Financing Facility

The *compensatory and contingency financing facility (CCFF)* extends compensatory financing to members experiencing, for reasons largely beyond their control, balance of payments problems attributable to temporary drops in earnings from exports of merchandise and services below their medium-term trends and temporary increases in the cost of cereal imports above their medium-term trend. Members are eligible for compensatory financing if they have cooperated adequately with the Fund to find solutions to their payments difficulties. The CCFF also provides contingency financing to protect members engaged in Fund-supported adjustment programs from the disruptive effects of unexpected external shocks. During the financial year, the CCFF also compensated members for sharp increases in the cost of oil imports; the temporary *oil element* of the CCFF was one of several measures adopted by the Fund in response to the Middle East conflict that broke out in August 1990.[3]

[3] See *Annual Report, 1991,* page 47.

When compensatory financing was first introduced in 1963, only merchandise exports were covered, but the range of eligible items in the current account of the balance of payments has expanded over the years. In 1979, the facility was broadened to include shortfalls in receipts from two categories of services: tourism and "worker remittances" (earnings by workers overseas that are sent to the home country). In 1981, a new element was integrated into the facility to provide assistance in financing temporarily excessive increases in the cost of imports of cereal products. This window has enabled countries to receive financing to compensate for the effects of sharp increases in the world price of cereals or a crop failure on account of, for example, drought. In April 1992, the Fund's Managing Director brought to the attention of the Interim Committee the possibility of such financing for the drought-affected countries of southern Africa.

As part of its 1990 adaptations in light of the Middle East crisis, the Fund also widened the range of services eligible for compensatory financing to cover all services (excluding investment income), where adequate data are available. The adaptations also permit quicker access to compensatory financing—by permitting the member to use estimated, rather than actual, data for the full shortfall year (as opposed to a maximum of six months previously) in calculating the earnings shortfall.

The CCFF's temporary oil element compensated members for sharp rises in the cost of their imports of crude petroleum, petroleum products, and natural gas. The rise in oil import costs also had to be temporary and beyond the member country's control. And the member country had to be pursuing, in addition to macroeconomic policies to deal suitably with its balance of payments difficulties, appropriate domestic energy prices. Financing approvals under the oil element began in early 1991 and continued through June 1992, as they related to excess costs experienced in the period prior to the end of 1991, when the oil element lapsed.

The Fund added a *contingency financing element* to the compensatory financing facility in August 1988. Contingency financing is provided to members pursuing economic policy reforms backed by Fund arrangements; the Fund gives an advance assurance to the member of financial protection in the event of an unexpected, and potentially destabilizing, external economic shock. Contingency funds may be extended if certain key elements of the country's balance of payments—such as export prices, import prices, interest rates, tourism receipts, or worker remittances—fall short of a predetermined benchmark level. The contingency money gives members greater confidence to adopt corrective policies, since they know that their reform efforts will be partly protected from external shocks that they cannot predict or control.

In response to the Middle East crisis, the Fund increased further the flexibility for obtaining contingency financing protection. A member with an arrangement from the Fund may apply for contingency protection at the time of a review under the existing arrangement if the arrangement has at least six months remaining. Previously, a contingency mechanism could only be attached to an arrangement for a member at the time of its initial approval by the Fund.

Policies in Member Countries

Of the 28 countries for which the Fund approved new arrangements during the financial year 1991/92, 11 were in Africa (Algeria, Burundi, Cameroon, Comoros, Côte d'Ivoire, Gabon, Guinea, Morocco, Lesotho, Tanzania, and Zimbabwe); 9 were in the Western Hemisphere (Argentina, Barbados, Brazil, Dominican Republic, Ecuador, El Salvador, Jamaica, Nicaragua, and Panama); 4 were in Asia (India, Mongolia, Papua New Guinea, and Sri Lanka); 2 were in Europe (Bulgaria and Czechoslovakia); and 2 were in the Middle East (Egypt and Jordan).

In recent years, *Algeria* has implemented a number of far-reaching economic reforms to shift from central planning to a market-based economic system. Under a program supported by a stand-by arrangement (for SDR 300 million, approved on June 3, 1991), the Algerian Government sought to accelerate these reforms and lay the foundation for sustained, noninflationary growth. Key measures of the reform program included the pursuit of an active exchange rate policy, faster liberalization of the import and foreign exchange systems, decontrol of domestic prices, and the implementation of cautious fiscal and monetary policies. The Fund also agreed to consider making available SDR 210.0 million of additional financing under a contingency financing mechanism associated with the stand-by arrangement if Algeria's balance of payments were to worsen owing to unexpected changes in the price of crude oil, petroleum products, or natural gas.

Since the adoption in 1991 of an economic stabilization and structural reform program, *Argentina* has succeeded in reducing inflation and restoring confidence and economic growth. The Fund supported this program through a stand-by arrangement (for SDR 780.0 million, approved on July 29, 1991). The Government's program for 1992–94, which the Fund supported through an extended arrangement (for SDR 2,149.3 million, approved on March 31, 1992), aimed to continue the basic policies pursued under the stand-by arrangement. Real GDP is expected to grow at an average rate of just over 5 percent a year over the program period, and inflation is projected to decline to 4 percent a year by 1994 (compared with 84 percent during 1991 and almost 5,000 percent during 1989). The program also aimed at regularizing relations with private external creditors through market-based debt and debt-service reduction, which was supported with financial resources from the Fund under both the stand-by and extended arrangements. In addition, credit from the Fund under the extended arrangement may be augmented by an amount equivalent to 30 percent of Argentina's quota when a debt-reduction package is agreed with commercial banks.

During most of the 1980s, *Barbados* experienced satisfactory economic growth and domestic and external stability. From 1989 to 1991, however, macroeconomic policy slippages and unfavorable external developments contributed to large balance of payments deficits. The aims of the Government's economic program for the second half of fiscal year 1992 and 1992/93, which the Fund supported through a stand-by arrangement (for SDR 23.9 million, approved on February 7, 1992), were to regain macroeconomic stability and to create conditions for sustained economic growth. Apart from monetary and fiscal tightening, the program included structural reforms to improve external competitiveness, to remove disincentives to exports, and to encourage efficient resource allocation. In addition to the amount under the stand-by arrangement, the Fund made available SDR 22.2 million to Barbados under the CCFF to cover a shortfall in earnings from tourism and merchandise exports in the year ended June 1991.

Brazil's economic program for 1992–93, which the Fund supported through a stand-by arrangement (for SDR 1,500.0 million, approved on January 29, 1992), aimed at achieving a gradual but sustained reduction in inflation, increased national savings, and improved efficiency, to create the conditions for economic growth with a satisfactory balance of payments position. The program envisaged the implementation of a very tight credit policy, progressively stronger fiscal policies, and major structural reforms, including a two-stage tax reform and further privatization of public enterprises. The program included a flexible exchange rate policy to preserve external competitiveness, a liberalization of the exchange and trade system to open the economy to the opportunities and discipline of world markets, and a new social program of poverty alleviation.

Relations with external creditors are to be re-established during the program period; Brazil is seeking agreement with its commercial bank creditors on a debt- and debt-service-reduction package, and the Government has requested that 25 percent of each of the seven planned disbursements under the stand-by arrangement be set aside to support debt reduction operations.

Since launching its economic reform program in February 1991, *Bulgaria* has made notable progress in many areas. The Government's 1992 economic program, which the Fund supported through a stand-by arrangement (for SDR 155.0 million, approved on April 17, 1992), was designed to reduce the monthly inflation rate to 2 percent by the end of the year, contain the decline in output over the year to about 4 percent, and further reduce price controls. The program aimed at restricting bank financing to 3 percent of GDP, while keeping credit policies consistent with the inflation target. The Government's main structural policies included the implementation of newly approved property restitution laws, moves toward majority private ownership of state enterprises, the removal of remaining restriction on sales of agricultural land, and financial sector reforms.

Burundi's economy has been badly affected by external shocks and inadequate policy implementation. The Government's economic program for 1991–94, which the Fund supported through an ESAF arrangement (for SDR 42.7 million, approved on November 13, 1991), aimed at average economic growth of 4 percent a year, lowering inflation to about 4 percent a year beginning in 1993, and reducing the current account deficit to 14 percent of GDP in 1994 (from 19 percent of GDP in 1990). To achieve these goals, the Government pledged to follow consistent macroeconomic policies and accelerate the restructuring of the economy to enhance the economy's supply-side response.

Since the mid-1980s, *Cameroon*, a net oil exporter with a fairly diversified economic base, has suffered a massive decline in its terms of trade, which has shifted its balance of payments from surplus to deficit. The Government's program for the financial year 1991/92, which the Fund supported through a stand-by arrangement (for SDR 28.0 million, approved on December 20, 1991), focused on strong fiscal measures and sought to lay the foundation for sustainable output growth over the medium term, in order to contain the current account deficit and maintain low inflation. It also emphasized the liberalization of domestic and external trade and the restructuring of public enterprises and the banking system.

After growing fairly rapidly during 1975–85, the economy of *Comoros* stagnated during the latter half of the 1980s. In 1989–90, the Government implemented a number of reforms focused on the external sector, public enterprises, and public finances. The main thrust of its three-year policy package for 1991–94, which the Fund supported under the SAF (for SDR 3.2 million, approved on June 21, 1991), was to further reduce internal and external imbalances and to create the conditions for an improvement in living standards. The Government also aims to address the serious social and environmental issues facing the Comoros.

Since 1986, the economy of *Côte d'Ivoire* has experienced severe external shocks. Its terms of trade declined by more than 40 percent between 1985 and 1990. In addition, its effective exchange rate appreciated relative to those of its major competitors, and its heavy external debt and debt-service obligations put pressure on the balance of payments and the public finances. In July 1989, the Government initiated an economic program with mixed results. The program for 1991/92, which the Fund supported through a stand-by arrangement (for SDR 82.8 million, approved on September 20, 1991), aimed at achieving an overall financial surplus in the Government's domestic operations by 1992, eliminating domestic arrears and restructuring the Government's domestic debt, improving the net foreign asset position of the Central Bank, and implementing further structural reforms, especially in the financial, industrial, and human resource sectors.

The *Czech and Slovak Federal Republic* made significant progress during 1991, when it launched a program of major economic liberalization and structural reform. The Government's economic program for 1992, which the Fund supported through a stand-by arrangement (for SDR 236.0 million, approved on April 3, 1992), sought to consolidate the earlier gains. The program was designed to limit the fiscal imbalance without undermining incentives and weakening the supply side of the economy. Monetary and credit policies were aimed at supporting the inflation and budgetary objectives. The Government also intended to maintain the fixed exchange rate for the koruna, to help restrain domestic price and wage increases. The centerpiece of systemic reforms in 1992 was privatization. Other initiatives included major changes in the banking system and the laying of foundations for a new tax system to be introduced in 1993. During the financial year 1991/92, Czechoslovakia drew SDR 186.5 million under the CCFF related to an excess of oil import costs during the year ending September 1991.

The economic performance of the *Dominican Republic* has improved markedly in response to an economic program that the Government initiated in August 1990. The program for 1991–92, which the Fund supported through a stand-by arrangement (for SDR 39.2 million, approved on August 28, 1991), included the unification of the exchange rate and liberalization of the financial system, and sought to improve the public finances further through a combination of cutbacks in public sector investment, restraints on current expenditures, a tax reform, and more realistic pricing of public sector goods and services. The program also contemplated restoration of relations with external creditors and clearance of outstanding arrears, including rescheduling through the Paris Club. In addition to the amount under the stand-by arrangement, the Fund also made available SDR 44.8 million under the CCFF to help compensate for a temporary increase in the oil prices and for a shortfall in export earnings.

The drop in oil prices in early 1991 contributed to a deterioration of *Ecuador's* balance of payments. The Government's program for 1991/92, which the Fund supported through a stand-by arrangement (for SDR 75.0 million, approved on December 11, 1991), aimed to strengthen Ecuador's external sector, and adjust to the adverse effects of lower oil prices, to achieve an economic growth rate of about 3 percent annually, and to halve the annual rate of inflation to about 25 percent by the end of 1992. Ecuador also expects to improve its relations with its commercial bank creditors by resuming partial payments and continuing efforts to reach agreement on a debt- and debt-service-reduction package. Twenty-five percent of each of the five disbursements under the stand-by arrangement will be set aside to support debt-reduction operations.

Faced with mounting disequilibria aggravated by the economic effects of the hostilities in the Middle East from August 1990, the Government of *Egypt* adopted a program of macroeconomic and structural reforms, supported by the Fund under a stand-by arrangement (for SDR 278.0 million, approved on

May 17, 1991). The main objective of the program was to create a market-based, outward-oriented economy over the medium term leading to a steady recovery of economic growth, sustainable low inflation, and an improved balance of payments as well as a reconstitution of international reserves and the normalization of financial relations with creditors. An important macroeconomic goal was to reduce the fiscal deficit substantially over the next two years. The program also envisioned a growing private sector and a scaled down public sector operating in a competitive environment, which will require broad deregulation and market-based pricing. In addition, the Government planned to reduce consumer subsidies while improving their targeting, and to strengthen social policies.

El Salvador's economic performance has improved markedly since mid-1989, despite internal conflict. Following a cease-fire agreement in February 1992, the Government adopted a five-year National Reconstruction Program. This calls for significant external assistance and the continued implementation of sound macroeconomic and structural policies. The program for 1992, which the Fund supported through a stand-by arrangement (for SDR 41.5 million, approved on January 6, 1992), aimed to reduce inflation to about 9½ percent during 1992, from 15 percent the previous year; achieve real economic growth of 3–4 percent; and further strengthen the balance of payments.

With the decline in oil revenues in the mid-1980s, *Gabon's* economy came under increasing strain. Beginning in 1986, the authorities undertook two consecutive reform programs, supported by the Fund, aimed at containing public spending, strengthening non-oil export receipts, and reforming public enterprises. But social unrest in 1989–90 led to an increase in budgetary spending, while depressing activity in the non-oil sector. The economic program for 1991–92, which the Fund supported through a stand-by arrangement (for SDR 28.0 million, approved on September 30, 1991) sought to generate growth in the non-oil sector of 3½ percent in 1991 and 2½ percent in 1992, while limiting inflation to 2–3 percent a year. The overall balance of payments deficit was to be substantially reduced, with the projected gaps to be financed by external debt rescheduling and other exceptional financing. Fiscal adjustment and the restructuring of public enterprises was to form the core of the program.

Faced with growing internal and external imbalances, *Guinea* initiated a three-year economic program in 1991. The program, which the Fund supported through an ESAF arrangement (for SDR 57.9 million, approved on November 6, 1991), was designed to diversify economic activity and reduce the excessive dependence of government revenue and export earnings on bauxite mining by encouraging the nascent private sector. The main macroeconomic objectives were to achieve an annual average growth of at least 5 percent, and to reduce progressively inflation to 8 percent in 1994 and the current account deficit to 4½ percent of GDP by 1994. Apart from tight monetary and fiscal policies, the program placed major emphasis on structural reforms to improve public sector finances and enhance economic efficiency.

India started the 1990s with substantial internal and external imbalances, which stemmed primarily from large fiscal deficits. Following the outbreak of the Middle East crisis in August 1990, India's current account was weakened by higher oil prices and the loss of workers' remittances. Disruptions in trade with the former U.S.S.R. also created balance of payments strains. The new government that took office in June 1991 acted quickly to arrest the deteriorating economic situation. Its program for 1991/92–1992/93, which the Fund supported through a stand-by arrangement (for SDR 1,656.0 million, approved on October 31, 1991), sought to ease the external payments position, rebuild international reserves, achieve economic growth of 3–3½ percent, and reduce inflation to not more than 6 percent by 1992/93. A large, sustained reduction in the public sector deficit was central to the strategy. India's program also included structural reforms aimed at reducing government intervention, enhancing domestic competition, and accelerating the country's integration into the world economy. To protect the poor from the short-term costs of economic transformation, the Government intends to insulate key expenditures. The Fund also approved drawings by India of SDR 635.1 million under the CCFF, related to an increase in oil import costs and a shortfall in merchandise export and remittance earnings for the 12 months ended July 1991.

Jamaica's economy was hurt in 1990 by the large increase in oil prices, slower growth in the economies of its major trading partners, and shortfalls in official external financing. Nevertheless, the Government's corrective policies—

supported by the Fund under a stand-by arrangement—succeeded in achieving real GDP growth of close to 3 percent and in substantially strengthening the external position. The Government's program for 1991–92, which the Fund supported with another stand-by arrangement (for SDR 43.7 million, approved on June 28, 1991), sought to raise domestic savings and investment and improve the efficiency of resource use. Specifically, the program aimed to maintain GDP growth of 3 percent, cut inflation significantly, and continue to strengthen the public finances and the balance of payments. A further SDR 15.3 million was made available to Jamaica under the CCFF to cover the additional cost of oil imports and a shortfall in export earnings in the 12 months ended in September 1991.

The Middle East crisis of 1990–91 severely affected *Jordan's* economy and disrupted a Fund-supported economic program that the Government had adopted in 1989. The Government's program for 1992–93, which the Fund supported through a stand-by arrangement (for SDR 44.4 million, approved on February 26, 1992) was part of a medium-term economic framework for 1992–98. The program's objectives are to increase the rate of growth to 3 percent in 1992 and 3½ percent in 1993, and to reduce inflation to 9¼ percent in 1992 and 7¾ percent in 1993 (from 10 percent in 1991). Policies were designed to reduce significantly the overall budget deficit (excluding grants) to 14 percent of GDP in 1992 and 11 percent of GDP in 1993 (from 18 percent of GDP in 1991) and to further improve the structure of the budget and the current account position.

Lesotho recently implemented a three-year economic program supported by the Fund under the SAF, which achieved a high rate of economic growth, a strengthened external position, and improved economic management. A new three-year program, supported by the Fund under the ESAF (for SDR 18.1 million, approved on May 22, 1991), was designed to consolidate the gains achieved thus far, diversify the productive and export base, promote privatization of selected public enterprises, and further strengthen the balance of payments.

After six decades of central planning, the Government of *Mongolia* initiated a series of wide-ranging macroeconomic and structural reforms designed to move the economy to a market-based system over the next three and one half years. The reforms, which the Fund supported with a stand-by arrangement (for SDR 22.5 million, approved on October 4, 1991), gave priority to restoring economic stability through greater financial discipline, while providing adequate incentives for production and distribution. Institution building and the development of macroeconomic management will also receive priority under the program.

In response to major structural reforms launched in the mid-1980s, *Morocco's* real economic growth picked up, while inflation, the overall fiscal deficit, and the external current account deficit declined sharply. In 1991, however, the Moroccan economy suffered a setback as the Middle East crisis affected earnings from both tourism and exports but Morocco also benefited from substantial external financing and a record cereal harvest. The authorities' program for 1992, which the Fund supported through a stand-by arrangement (for SDR 92.0 million, approved on January 31, 1992) is consistent with Morocco's medium-term strategy. It emphasized major structural reforms to promote investment and raise productivity, while continuing efforts to strengthen the budgetary position and reorient credit toward the private sector. The success of this strategy will free Morocco from reliance on Fund resources, restore fully its debt-servicing capacity and re-establish normal relations with its creditors, and achieve currency convertibility for current international transactions.

The Government that took office in *Nicaragua* in April 1990 inherited a weak economy, characterized by hyperinflation, prolonged contraction, and large internal and external imbalances. In March 1991, the Government initiated an economic program with the support of the Fund, the World Bank, and the Inter-American Development Bank. The program had positive results: inflation declined, public sector finances improved, international reserves rose, and economic growth began to recover. Nicaragua's program for 1991–92, which the Fund supported through a stand-by arrangement (for SDR 40.9 million, approved on September 18, 1991), sought to build on these gains by continuing with appropriate fiscal, monetary, and wage policies, and structural reforms.

Panama's economy responded positively to the lifting of economic sanctions in 1990 and to measures adopted by the Government to restore confidence and strengthen public finances. These favorable trends continued through 1991, with the economy expanding by about 9 percent and inflation remaining at about 2 percent. Unemployment remained high at 16 percent, however, and real GDP is still below the level reached in 1987. The Government's 1992–93 program, which the Fund is supporting through a stand-by arrangement (for SDR 93.7 million, approved on February 24, 1992), aims to make progress toward external payments viability and toward sustaining the economic recovery, thereby expanding employment. Public sector finances were to be strengthened further during the program period, which, together with the authorities' privatization plans and structural reforms, should create a favorable environment for savings and investment. In addition to the amount under the stand-by arrangement, the Fund made available SDR 36.7 million to Panama under the CCFF to cover an excess in oil import costs in the year ended September 1991. Panama settled overdue obligations to the Fund and the World Bank on February 5, 1992.

The economy of *Papua New Guinea* has been hard hit by the closure of its largest copper and gold mine in 1990 and the sharp fall in prices for its major agricultural exports. The main objectives of the Government's economic program for 1991–92, which the Fund supported through a stand-by arrangement (for SDR 26.4 million, approved on July 31, 1991), were to strengthen the external reserve position, contain inflation, and sustain an economic recovery, especially in the nonmining private sector. Structural policies were aimed at improving the operations of the public sector, reforms of the agricultural commodity stabilization funds, and privatization.

In 1991, *Sri Lanka* completed a three-year program supported by the Fund through the SAF, under which there was a marked improvement in economic performance. The Government's medium-term strategy, covering the period 1991–94, was supported by the Fund through the ESAF (for SDR 336.0 million, approved on September 13, 1991). The strategy sought to maintain high rates of economic growth, reduce inflation and unemployment, and maintain a viable external payments position with greater reliance on foreign investment, and eventually, a reduced dependence on concessional assistance.

Tanzania's economic program for 1991/92–1993/94 was supported by the Fund under the ESAF (for SDR 181.9 million, approved on July 29, 1991). The program aimed at achieving average growth of more than 4 percent a year, which would imply a faster per capita income growth than realized during 1987–90. The program also sought to reduce Tanzania's dependence on exceptional balance of payments financing to achieve a viable external position by the end of the program period. In the social field, the program aimed to increase per capita spending on health and education.

Zimbabwe's economic performance has weakened in recent years. Inflation has risen sharply, and the balance of payments position has worsened, moving from a small surplus in 1988 to a large deficit in 1991. The Government has developed a comprehensive three-year program of macroeconomic and structural reform, which the Fund supported through an extended arrangement (for SDR 343.8 million, approved on January 24, 1992). The program provided for tightening of fiscal and monetary policies, the maintenance of an appropriate exchange rate, and a major liberalization of external trade, domestic prices, investment and labor regulations, and financial markets.

3. Technical Assistance and Training

As Fund membership has expanded and the volume and extent of Fund operations have risen correspondingly, the demand for technical assistance services has increased sharply. One significant new area of such assistance has been to countries in transition to a market economy. Most of these are in Eastern Europe and the former U.S.S.R., but programs have also been set up in many previously nonmarket developing economies. Fund technical assistance helps countries to develop and reform the structure of their economic and financial institutions as a foundation for creating efficient market economies able to sustain noninflationary growth. The emphasis is on training government officials in macroeconomic management, developing central banking and financial systems, reforming the tax system and tax administration, and improving statistical data. The Fund is working with five other international institutions in establishing a new regional training center in Vienna to provide assistance to officials from Eastern Europe, the states of the former U.S.S.R., and other former centrally planned economies.

With the expansion of both Fund membership and its assistance to potential members and the concomitant rise in the volume and extent of Fund operations, the demand for technical assistance services has increased markedly.

Requests for technical assistance continued to come from a wide range of members; the most prominent new area of assistance, however, is for those countries in the process of transformation to market-based economies. This is especially true of Eastern Europe and the former U.S.S.R., where large assistance programs have been launched; it is also evident in such previously nonmarket economies as Algeria, Angola, Benin, Cape Verde, Lao People's Democratic Republic, Mongolia, Mozambique, and Viet Nam. Technical assistance programs in these countries focus on a wide range of tasks, including setting up central banks and banking systems; foreign exchange systems; regulatory frameworks; fiscal institutions, such as tax administration and tax policies, budgetary practices, and social security schemes; and statistical data bases. Countries also require training for their officials, both in specialist and in general economic management.

In order to provide assistance promptly and efficiently to the countries of Eastern Europe and the former U.S.S.R., the Fund is collaborating with five other international institutions in the establishment of a new regional training center in Vienna; courses are scheduled to begin in September 1992. Such a regional center benefits from economies of scale in the organization and administration of training courses. In addition, the coordination of the Fund's technical assistance efforts as a whole has increased, both among various departments within the Fund and between the Fund and other multilateral institutions, such as the World Bank, United Nations Development Program (UNDP), and the European Bank for Reconstruction and Development (EBRD), the European Community (EC), the Organization for Economic Cooperation and Development (OECD), and the Bank for International Settlements (BIS).

The Fund's technical assistance is provided in response to members' requests through resident advisors, formal training programs, and advice extended during other staff contacts with members. Also, negotiations for Fund-supported programs, Article IV consultations, and many discussions in the Board have substantial technical assistance content. Countries call on the Fund for technical assistance to help reform and develop the structure of economic and financial institutions with the aim of developing efficient market economies able to sustain noninflationary growth. Generally, the formulation and implementation of structural adjustment policies require a broader range of expertise than is available in most developing countries. To support such structural reforms, the Fund is now furnishing more short-term assistance than in the past.

The focus of Fund technical assistance is mostly on ways to improve macroeconomic management through training government officials, enhancing the quality of statistical data, helping to reform the tax system and tax administration, and developing and improving the operations of the central banking and financial systems. Resources for the Fund's technical assistance work are supplemented through two ancillary arrangements: a 1989 agreement under which the Fund serves as an executing agency for UNDP assistance; and a special administered technical assistance account funded by Japan, which was set up in March 1990 (*Annual Report, 1991*).

Training for officials from Fund member countries is given by the

IMF Institute at headquarters and overseas, as well as by other departments, including the Central Banking, Fiscal Affairs, Legal, and Statistics Departments, and the Bureau of Computing Services. (In May 1992, the Central Banking Department was renamed the Monetary and Exchange Affairs Department, reflecting an expansion of its role in the areas of monetary and exchange policies and operations.)

To meet the rising demand for training, in 1991/92 the IMF Institute conducted at headquarters 15 courses and 3 seminars. Of these courses, one was specifically directed at centrally planned economies in transition, while a large number of officials from those economies attended other courses. The IMF Institute also conducted 19 courses and 4 seminars overseas, and provided lecturing assistance to six training organizations. For the overseas activities, the Institute's training materials were tailored to the needs of the countries concerned. Ten of the overseas courses provided training in the former U.S.S.R. and Eastern Europe: two courses of two weeks' duration were conducted for mid-level officials in Moscow; two-week courses for mid-level officials were conducted in Vilnius, Tirana, and Budapest; and three-day courses for senior level officials were held in Alma Ata, Minsk, Yerevan, Kishinev, and Moscow. The overseas seminars, which were for senior level officials of economies in transition, were conducted in Bulgaria, Benin, London (in collaboration with the Fiscal Affairs Department), and Paris. The Institute also arranged briefings for member country officials visiting Washington.

During the financial year, the then-*Central Banking Department* expanded its intensive technical assistance effort in Eastern Europe and initiated similar programs in the states of the former U.S.S.R. In each of these programs the department, in cooperation with five to ten central banks, has formed a team consisting of department staff and consultants that has developed and implemented a broad program of technical assistance aimed at modernizing central banking in the countries concerned. The areas of focus have included banking supervision, payments and settlements systems, economic and monetary analysis, monetary policy operations, foreign exchange and domestic money market development, central bank accounting and internal audit, and central bank organization. Eighty-six staff members of some twenty central banks have collaborated in these programs; in addition, many central banks have extended assistance on a bilateral basis. These programs have also involved other international institutions, such as the BIS and the OECD. As a result of continuous efforts to increase efficiency, the delivery of technical assistance was increasingly restructured from long-term field assignments to advisory missions and short-term assignments. To support the above changes, efforts to strengthen staff resources and specialized data banks at headquarters were intensified. These programs and efforts are being continued in 1992/93.

As usual, technical assistance from the *Fiscal Affairs Department* was aimed mainly at supporting countries' efforts in connection with Fund-supported adjustment programs. The main change in 1991/92 was the emergence of a high level of activity in the states of the former U.S.S.R., which accounted for about 23 percent of total technical assistance provided by the department. Much of the initial wave of assistance to these countries was provided in the context of multipurpose missions, intended both to advise on a broad range of topics and to identify areas where more targeted assistance is needed. The department also remained heavily involved in Eastern Europe, mounting at least two technical assistance missions to each country in that area.

During 1991/92, the *Legal Department* continued to provide technical assistance in the central and general banking, foreign exchange, and fiscal areas. This assistance included drafting legislation, reviewing draft legislation, and providing overall legal advice. Much of this assistance has been directed to members who are in the process of transforming their centrally planned economies and are seeking expertise regarding the legal steps that must be taken for this process to be successful. During the financial year, the Legal Department participated in 56 missions to a total of 29 different members.

The demand for technical assistance in statistics also shifted dramatically toward the countries in transition from central planning, especially in Eastern Europe and the former U.S.S.R. Together, these countries absorbed nearly 54 percent of the *Statistics Department's* technical assistance and related mission resources. Of the 44 technical assistance and multitopic missions by staff and consultants, 19 were to these countries, of which 12 were to countries of the former

U.S.S.R.; these missions involved roughly half of the total staff or consultant trips during the fiscal year. There was, in addition, an increased amount of assistance provided through the participation of Statistics Department staff on missions of other departments. Sixteen of these missions were to Eastern European countries in transition and to the states of the former U.S.S.R.

In November 1991, the Fund conducted a diagnostic mission in statistics to a number of states of the former U.S.S.R. with participation by a number of other international organizations; this was followed by a number of multitopic missions in subsequent months. In recognition of the importance of developing a coordinated approach to technical assistance in statistics to the countries of this region, a high level Steering Committee composed of representatives of the main international organizations has been established. The Steering Committee held its first meeting at Fund headquarters in March 1992 and the Fund has been entrusted with responsibility for the technical support of the Committee.

4. Trade Policy Issues

International trade and investment have grown steadily over the past decade. Whereas many developing countries—particularly in Latin America and Eastern Europe—have made good progress in liberalizing their trade regimes, most industrial countries have reduced trade barriers to only a limited extent. To assure more progress in the industrial countries while strengthening the advances made in developing countries, a successful conclusion to the Uruguay Round is critical, for both the world trade system and the effectiveness of Fund-supported policies in member countries. While the Board generally sees regional integration as a positive force, it urges Fund members to ensure that regional trade arrangements are consistent with the General Agreement on Tariffs and Trade (GATT) and with an open trading environment. New challenges have been created through the globalization of investment and production and its effects on trade, and through the relationship between environmental protection and trade policies. The Fund gives prominence to trade reform in Article IV consultations and in program design; it cooperates with the GATT to promote an open trade system.

Developments in the world trade system were reviewed by the Board in November 1991. The Board's discussion focused on the importance to the Fund and the world trade system of a successful conclusion of the Uruguay Round of multilateral trade negotiations; trade-related issues for the 1990s, including the trend toward regional integration, the interrelation between trade and competition policies, and the issues related to international trade and environmental concerns; and the role of the Fund in the trade area. The future course of the world trade system depends to a large degree on concrete steps being taken to conclude the Uruguay Round and preserve an open, multilateral trade system based on clear, enforceable rules.

Developments in the World Trade System

Over the past decade, the growth of international trade and investment has contributed importantly to sustaining economic expansion and further integrating the global economy. Experience has shown that, in both industrial and developing countries, market-oriented policies that expose economies to domestic and international competition improve the efficiency of resource use, raise potential growth, and enhance economic welfare. In industrial countries, the reorientation of policies was apparent in steps taken to liberalize financial markets and domestic and foreign direct investment, and to privatize public enterprises and liberalize investment. There was also a renewed interest in regional integration as a spur to efficiency and as an assurance of market access in the current trade environment.

On the whole, however, the increased focus on market principles in industrial countries did not carry over to trade and industrial policies, or to agriculture. There has been only limited progress in reducing trade barriers since the beginning of the Uruguay Round. Among the few industrial countries that have liberalized their trade regimes are

Australia, New Zealand, and Sweden. In recent years, a growing number of developing countries—particularly in Latin America and Eastern Europe— have moved to liberalize trade as part of comprehensive reform programs, many of which have received support from the Fund and the World Bank. Some of these countries liberalized their regimes substantially in conjunction with their accession to the GATT. In 1991 this was the case for El Salvador and Guatemala, while Brazil and Colombia ceased to invoke the GATT provision that permits maintenance of trade restrictions for balance of payments reasons under conditions specified in GATT Article XVIII and elaborated by the balance of payments committee. The trade liberalization undertaken by developing countries is encouraging but many countries need to persist with reforms in this area in order to benefit from more open trade competition with the rest of the world.

In Eastern Europe, Czechoslovakia, Hungary, and Poland have begun to adapt their relations with the GATT to reflect their move toward a market system. Russia assumed the former U.S.S.R.'s observer status in the GATT at the beginning of 1992, while the other states of the former Soviet Union have expressed interest in obtaining observer status as a first step to full GATT membership.

The Board, in its review, noted that trade barriers in industrial countries have increasingly taken the form of selective and discriminatory nontariff measures, which undermine the principles of the GATT system. Some Directors thought that one factor in this situation has been the slow pace of adjustment in the industrial countries to fundamental changes in the structure of world production and trade.

Box 11

Obligations of Article VIII

One of the main purposes of the Fund is to facilitate the expansion and balanced growth of international trade, and thereby contribute to high levels of employment and real income and to assist in establishing a multilateral system of payments in respect of current transactions between Fund members. Among the ways the Fund seeks to achieve these objectives is by helping to eliminate restrictive practices in the exchange and payments areas. Members accepting the obligations of Article VIII of the Articles of Agreement undertake to refrain from imposing restrictions on the making of payments and transfers for current international transactions or engaging in discriminatory currency arrangements or multiple currency practices without Fund approval. They also undertake to assure the convertibility of currencies that have been acquired as a result of current transactions.

Countries that accept Article VIII status give confidence to the international community that they will pursue sound economic policies that will obviate the need to use exchange and payments restrictions on current transactions and thereby enhance their contribution to a multilateral payments system free of restrictions.

Uruguay Round

The Fund places high priority on a comprehensive agreement in the Uruguay Round (see Box 12). The Board emphasized the important stake the Fund and its members have in a successful conclusion to the Round that would greatly improve the world trading environment for all countries and thereby enhance the effectiveness of policies in Fund-supported arrangements. Without a substantive agreement, there is a danger that protection will increase and that GATT disciplines will erode.

At the same time, Directors emphasized that countries need not wait until the completion of the Uruguay Round to begin dismantling nontariff barriers and reducing subsidies and other supports to industry and agriculture. Countries could still benefit from trade liberalizing measures even if these are not reciprocated immediately.

Trade Issues for the 1990s

The trend toward a strengthening of regional trading ties, both within existing regional arrangements and through the establishment of new arrangements, was an important feature of developments in the world trade system. In the Americas, Argentina, Brazil, Paraguay, and Uruguay agreed in March 1991 to establish a common market (Mercosur) by 1995; the Central American Common Market (CACM) in July 1991 approved a timetable for liberalizing trade among its members; and negotiations continued on the projected North American Free Trade Area (NAFTA) between Canada, Mexico, and the United States. In May 1992, the United States announced it would pursue free trade negotiations with Chile, upon completing negotiations for a North American Free Trade Agreement. In Europe, the EC advanced toward market unification by the end of 1992 and, with the signing of the Maastricht accord in December 1991, eventual economic and monetary union (see Box 5). Separately, Austria, Finland, Sweden, and Switzerland applied for EC membership, and the EC and EFTA countries agreed to create a European Economic Area by 1993. Trade relations between the EC and a number of Eastern European countries were also strengthened with the conclusion of association agreements, which will include free trade areas, with Czechoslovakia, Hungary, and Poland. In Asia, the members of the Association of Southeast Asian Nations (ASEAN) signed an agreement in January 1992 to reinforce trade and economic links among their countries. A treaty on the African Economic Community was signed in June 1991 during the meetings of the Organization of African Unity Council of Ministers and Assembly of Heads of State and Government; this seeks to promote economic integration of the African countries over the next 34 years, in six stages.

The progress toward regional integration was seen by most Directors during the Board review as a potentially positive force that would support liberalization and enhance economic welfare, provided it was pursued in a way consistent with an open trading environment. Experience had demonstrated that regional trade arrangements that had successfully eliminated trade barriers among members and kept an outward orientation had not harmed the multilateral trading system. Nonetheless, concern was expressed that if the Uruguay Round were to stall or to conclude with a minimal package of measures, regional trading arrangements could become more inward looking and protectionist and render adjustment more difficult.

For this reason, the Board stressed that regional arrangements were not a substitute for a multilateral trade system. All countries, particularly the major industrial countries, were urged to ensure that regional trade arrangements are consistent with the GATT and that they support the multilateral trade system. In particular, Directors encouraged countries entering into regional trade arrangements to ensure that such arrangements do not increase the average level of protection against nonmembers. Many Directors were also concerned that developing countries in particular would face risks of increased marginalization in a world of growing regional trade arrangements. It was argued that such arrangements should not be allowed to impede the reform efforts and economic progress of third countries, particularly in those cases where Fund-supported programs depend on secure access to foreign markets.

New challenges have emerged in response to changes in the world trading environment. These relate to the increased integration of the world economy stemming from the globalization of investment and production and its effects on the relative importance of trade in the economy, the geographic organization of production, and the way countries compete in world markets.

The growing economic interdependence among countries confronts governments with the need to harmonize trade and trade-related policies. Conflicts can arise because, first, not all countries have well-defined legislation in this area and, second, both GATT and national laws permit trade-limiting actions in certain circumstances, which tend to perpetuate competition-limiting situations. This has prompted calls for an examination of how domestic competition laws and GATT-consistent restrictive trade measures affect international trade and competition. These issues are being addressed to some extent in the Uruguay Round.

The protection of the environment has also elicited growing concern among policymakers and private groups about the interaction between environmental goals and an open world trade system. Some fear that trade liberalization contributes to the degradation of the environment by reducing standards and encouraging the migration of high-pollution industries to countries with lower environmental standards. Others are concerned about environmental policies that are motivated by protection and about the use of trade policies to impose national environmental standards extraterritorially. In general, the use of trade policies is not the optimal way to achieve environmental goals. The challenge is to develop a policy framework that fosters environmentally sustainable growth and development, while preserving the benefits of an open multilateral trade system.

Role of the Fund

In discussing the role of the Fund in the trade area, Directors agreed priority should be given to strengthening the trade reform content of Fund-supported programs and the coverage of trade issues in Article IV consultations. At the same time, there should be continued collaboration with other institutions with responsibility in the trade area such as the GATT, the OECD, and the World Bank, and the secretariats of regional organizations.

In this context, the Board stressed that trade policy issues should continue to be dealt with in the context of multilateral surveillance through the world economic outlook exercise. Such surveillance of trade policies should take account of developments in regional trade arrangements and their impact on the world trade system and on nonmember countries. One way in which this might be done is through periodic analyses of globally or regionally significant trade arrangements. Such issues could also be reviewed in the context of Article IV consultations with members belonging to regional arrangements.

The Board's review of trade policies in the context of Fund-supported programs raised a number of issues concerning the role of trade reform in the policy adjustment process and the design and sequencing of trade liberalization. It was agreed that the effectiveness of trade reforms depended on their comprehensiveness and transparency, as well as on the supporting macroeconomic, exchange rate, and structural policies. Directors emphasized the importance of a sustained commitment to trade reform and of adequate external support for policy adjustments and reform programs.

Regarding the sequencing of trade reforms, a number of Directors thought it was important that these be introduced early in the policy adjustment process. To maintain the momentum of reform, it

Box 12

The Uruguay Round

The delays in completing the Uruguay Round of multilateral trade negotiations illustrates both the importance of the structural rigidities in the world trade system and the potential efficiency that is to be gained from completion of the Round. Despite political attention at the highest levels, negotiations on the Round have continued beyond its deadline for completion in December 1990.

These difficulties notwithstanding, considerable progress has been made. In late 1991, the Director-General of GATT presented a draft compromise proposal known as the Draft Final Act to Conclude the Round. Major parts of this draft represent negotiated agreements, while others consist of proposed solutions that allow all participants to accept the package as the basis for final negotiations. However, major aspects of the negotiations remain unresolved. Among these is the lack of agreement among major trading countries on the scope and degree of liberalization in a number of politically sensitive sectors, most notably agriculture. Some outstanding issues also remain in the areas of services and trade related aspects of intellectual property (TRIPs), among others.

The stakes involved are high. A failure to reach final agreement in the Uruguay Round would put at risk all the progress that has been made to date. This includes proposed agreements to improve the efficiency of the dispute settlement mechanism; to strengthen the rules and disciplines on antidumping, subsidies, and safeguards; and to bring trade in textiles and clothing under normal multilateral rules. In addition, a significant reduction in trade barriers is within reach, as is the integration of "new areas," such as services and intellectual property, into the multilateral trade system. Finally, the establishment of a Multilateral Trade Organization (MTO) has been proposed in the Draft Final Act.

Although it is difficult to quantify the potential impact of the Uruguay Round, it is expected to have substantive positive effects on world economic growth and income. The possible retreat toward protectionist policies is as important as the loss of the agreements that are at hand as a consequence of a collapse of the Round. The general climate in which trade and investment decisions are made could worsen and contribute to more inward-looking policies, both nationally and regionally.

Because of its mandate to expedite the expansion and balanced growth of international trade, the Fund has a special relationship with the GATT. In this context, a number of issues addressed in the Draft Final Act are of particular interest to the Fund: the agreement to establish an MTO under which GATT, as amended by the Round's agreement, would be administered; the agreement on services; and the continued exceptions provided for balance of payments reasons.

was important to preannounce liberalization measures and to lock in reforms in the context of the GATT and other means. However, some Directors observed that trade reform could entail short-term costs and that it was too early to draw clear conclusions on the costs and effectiveness of the rapid reforms a number of countries had undertaken. A few Directors also noted that while some developing countries had substantially reduced protection and relied mainly on relatively low, uniform tariffs, most needed to persist with reforms to benefit from more open trade competition with the rest of the world.

5. The Fund's Financial Operations and Policies

In 1991/92 the Fund made substantial progress toward universal membership. Twenty countries, including all the states of the former U.S.S.R., applied for membership, and two countries became members. At the end of April 1992, the Fund's membership totaled 157. By the end of July, ten more countries had joined the Fund (including Switzerland, which had applied for membership in 1990/91), and another country had applied for membership. When the remaining 11 countries that have applied for membership sign the Articles of Agreement, the Fund will have 178 members.

The expansion of Fund membership, the associated increase in potential demand for Fund resources, and the rise in the number of current members receiving Fund support underscore the need to bring into effect as soon as possible the 50 percent increase in total quotas authorized by the Board of Governors under the Ninth General Review of Quotas.

During 1991/92, total new commitments of Fund resources under 21 stand-by arrangements and 2 extended arrangements were SDR 8.1 billion, compared with new commitments of SDR 5.1 billion in 1990/91. Adjusted holdings of uncommitted usable resources at the end of April 1992 were SDR 20.9 billion, compared with SDR 23.8 billion a year earlier, and are projected to decline rapidly in the future reflecting the increased demand for Fund resources by many members, including new members.

While commitments of Fund resources increased substantially in 1991/92, actual purchases (drawings) from the General Resources Account decreased somewhat during the year to SDR 5.3 billion, from SDR 6.2 billion in 1990/91, mainly because of a decline in disbursements under the CCFF and extended arrangements. Repurchases (repayments) in the General Resources Account also declined during 1991/92, to SDR 4.8 billion, with the net result that Fund credit outstanding in the Account increased from SDR 22.9 billion to SDR 23.4 billion. SAF/ESAF disbursements totaled SDR 0.6 billion during the year, and inclusive of this financing, Fund credit outstanding to members increased by SDR 1.1 billion in 1991/92. The total allocation of SDRs remained unchanged in 1991/92 at SDR 21.4 billion.

Although overdue financial obligations to the Fund rose slightly to SDR 3.5 billion during 1991/92, both the absolute increase and the rate of growth were the lowest since 1981/82. The number of members in arrears for six months or longer increased from nine to ten. In February 1992, Panama settled its arrears. Four other countries in protracted arrears have been implementing adjustment programs aimed at restoring external viability and have undertaken to stabilize the level of their overdue obligations. During 1991/92, the Board continued to implement the three key elements—prevention, deterrence, and intensified collaboration—of the strengthened cooperative strategy on overdue obligations. Moreover, the Board has maintained and extended various measures to strengthen the Fund's financial position against the consequences of overdue obligations, including the buildup of precautionary balances.

Membership

The Fund's membership increased to 157 countries in 1991/92, when Albania and Lithuania joined the Fund with initial quotas of SDR 25 million and SDR 69 million, respectively. During the year, all 15 states of the former Soviet Union, the Republics of Croatia, Slovenia, and Bosnia-Herzegovina, the Federated States of Micronesia, and the Republic of the Marshall Islands, applied for Fund membership. The Board submitted to the Board of Governors resolutions proposing membership for the 15 states of the former Soviet Union, including an initial quota for each of these states. These resolutions were adopted by May 4, 1992. Of the states of the former U.S.S.R., Armenia, Belarus, Estonia, Georgia, Kazakhstan, Kyrghyzstan, Latvia, Lithuania, and Russia had signed the Articles of Agreement by the end of July 1992 and had become members. The Republic of the Marshall Islands and Switzerland became members on May 21 and May 29, 1992, respectively. The Republic of San Marino applied for Fund membership on May 29, 1992.

With regard to the determination of the quotas of the states of the former U.S.S.R., a number of unique issues arose, including the non-availability of suitable data that could be used to make separate quota calculations for the individual states; the exchange rate to be used to convert data in rubles into SDRs; the appropriate method to convert official Soviet income data into the more familiar GDP concept; and the treatment of trade among the states. Faced with these issues, the Board decided that, as a basis for determining the quotas of the individual states, a calculated quota for each state would be derived from the calculated quota for the former U.S.S.R. as a whole by dividing up this latter quota among the 15 states on the basis of a distributive key which reflected the traditional economic variables used to calculate quotas in the Fund (GDP, foreign trade, and reserves). Following the usual practice, the calculations for each state were then compared with those of existing members of broadly similar economic size and characteristics. As a final step, to take account of the unique problems mentioned above, it was agreed that the individual quota calculations for each state would be adjusted upward uniformly by 22.5 percent. The Board also decided to increase each state's initial quota by 50 percent under the Ninth Review. These increases will become effective in accordance with the terms of the Ninth Review. The agreed quotas for the states of the former U.S.S.R. are shown in Table 2.

Table 2

Quotas of the Fifteen States of the Former U.S.S.R. Under the Eighth and Ninth Reviews
(In millions of SDRs and percent of total IMF quotas)

	Eighth Review		Ninth Review	
	SDRs	Percent[1]	SDRs	Percent[1]
Armenia	45.0	0.05	67.5	0.05
Azerbaijan	78.0	0.08	117.0	0.08
Belarus	187.0	0.20	280.4	0.20
Estonia	31.0	0.03	46.5	0.03
Georgia	74.0	0.08	111.0	0.08
Kazakhstan	165.0	0.17	247.5	0.17
Kyrghyzstan	43.0	0.04	64.5	0.04
Latvia	61.0	0.06	91.5	0.06
Lithuania	69.0	0.07	103.5	0.07
Moldova	60.0	0.06	90.0	0.06
Russia	2,876.0	3.00	4,313.1	3.00
Tajikistan	40.0	0.04	60.0	0.04
Turkmenistan	32.0	0.03	48.0	0.03
Ukraine	665.0	0.69	997.3	0.69
Uzbekistan	133.0	0.14	199.5	0.14
Total	4,559.0	4.76	6,837.3	4.76

[1]Based on total IMF quotas at the end of April 1992 inclusive of the quotas of the states of the former U.S.S.R.

Ninth and Tenth General Reviews of Quotas

The Board of Governors authorized a 50 percent increase in the total of Fund quotas from SDR 90.1 billion to SDR 135.2 billion on June 28, 1990.[4] Increases were proposed for all members except Cambodia, which did not participate in the Ninth General Review of Quotas. The Resolution of the Board of Governors specified that no quota increase could come into effect before the effective date of the Third Amendment of the Fund's Articles of Agreement. The proposed amendment provides for the suspension of voting and other related rights of members that do not fulfill their obligations under the Articles. The Third Amendment will become effective when three fifths of the

[4] See Board of Governors' Resolution No. 45-2, adopted June 28, 1990 (Annual Report 1990, page 103).

Fund members, having 85 percent of the total voting power, have accepted the proposed amendment.

On December 11, 1991, the Board extended by six months—from December 31, 1991 to June 30, 1992—the date by which Fund members must consent to the proposed increases in their quotas under the Ninth Review[5]. As of April 30, 1992, 126 members, accounting for 75.0 percent of total quotas, had consented to the increases in their quotas, and 95 members, accounting for 64.9 percent of the total voting power, had accepted the proposed Third Amendment.

In accordance with Article III, Section 2(*a*) of the Fund's Articles, the Board of Governors must conduct the Tenth General Review of Quotas not later than March 31, 1993, that is, five years from the date on which the Ninth Review should have been conducted. The Fund's Rules and Regulations provide that work on the Tenth General Review of Quotas is to be carried out in the first instance in a Committee of the Whole established to study the matter and prepare a written report. Accordingly, on March 31, 1992, the Board established a Committee of the Whole for the Tenth General Review of Quotas.

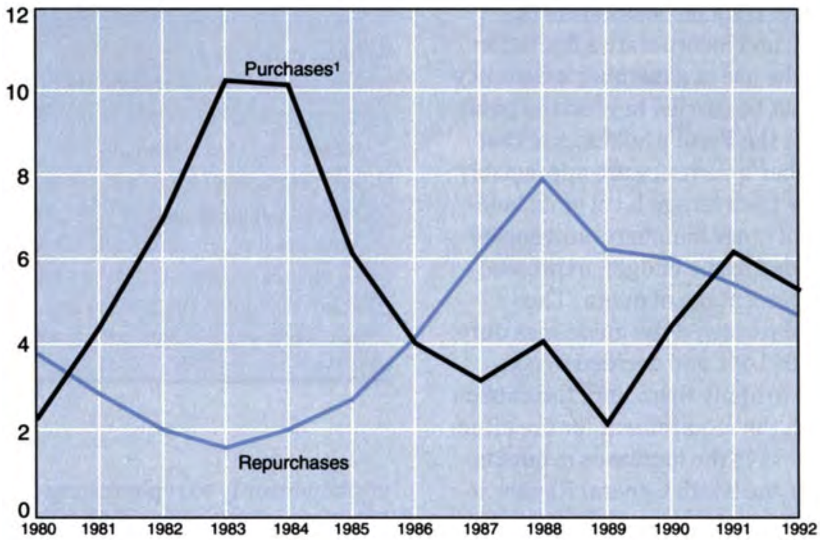
Fund Liquidity and Borrowing

The liquid resources of the Fund consist of usable currencies and SDRs held in the General Resources Account, supplemented as necessary by borrowed resources. Usable currencies, the largest component of liquid resources, are the

[5] On June 29, 1992, the Board further extended the date to September 30, 1992.

Chart 7

General Resources: Purchases and Repurchases, Financial Years Ended April 30, 1980–92
(In billions of SDRs)



[1] Excluding reserve tranche purchases.

currencies of members whose balance of payments and gross reserve positions are considered sufficiently strong to warrant the inclusion of their currencies in the operational budget for use in financing Fund operations and transactions.

In assessing the adequacy of the Fund's liquidity, the stock of usable currencies is adjusted downward to take into account the staff's assessment of the need to maintain working balances of currencies for operations and transactions and the possibility that the currencies of some members in weak external positions could become unusable. Undrawn balances of commitments of resources are also taken into account in assessing the Fund's liquidity. After these adjustments were made, as of April 30, 1992, the Fund's adjusted and uncommitted usable resources totaled SDR 20.9 billion, compared with SDR 23.8 billion a year earlier. The decline was due primarily to the exclusion of two currencies from the operational budget, but it also reflected an excess of purchases over repurchases during 1991/92 (Chart 7).

Currencies and SDRs to be used by the Fund in operations and transactions of the General Resources Account are selected through the adoption by the Board of quarterly operational budgets (see Box 13). The amounts of currencies of members are determined in order to harmonize over time members' positions in the Fund. The method currently used for calculating the amounts of currencies to be included in the operational budget is

Box 13

The Operational Budget

In view of the cooperative character of the Fund and the revolving nature of its resources, the Fund's financial assistance is provided through the use of its own SDRs and the currencies of a wide range of members, large and small, industrial and developing. Members whose balance of payments and reserve positions are judged sufficiently strong to be included in the operational budget make resources available to members with weak balance of payments positions that need financing. The guidelines that govern the use of SDRs and currencies are laid down by the Board and are implemented through quarterly operational budgets. The Board reviews the guidelines underlying the operational budget from time to time. At the last review, it was decided to apply the existing guidelines until the effective date of the increases in quotas under the Ninth General Review, or until not later than December 31, 1992.

based on guidelines approved by the Board in June 1990. These guidelines take into account members' gross holdings of gold and foreign exchange reserves and their reserve tranche positions in the Fund, and incorporate a limitation that the use of a member's currency will not be carried beyond the point where the Fund's holdings of that member's currency are appreciably below the average level of its holdings of other members' currencies included in the budget, expressed as a percentage of quota. The Board reviewed the guidelines during 1991/92, and decided to continue to apply them until the date on which the requirement for the effectiveness of the increases in quotas under the Ninth General Review is fulfilled, or in any event until not later than December 31, 1992.

The Fund's liquid liabilities declined to SDR 25.6 billion as of April 30, 1992, from SDR 26.2 billion as of April 30, 1991, representing reserve tranche positions of SDR 21.9 billion, the same level as a year earlier, and loan claims on the Fund of SDR 3.7 billion, a decline of SDR 0.6 billion. The ratio of the Fund's adjusted and uncommitted usable resources to its liquid liabilities—the liquidity ratio—declined by 12 percentage points over the course of 1991/92 to 81.6 percent, owing largely to the high level of new commitments, including commitments of ordinary resources to be substituted for borrowed resources (see below). The liquidity ratio is expected to decline further in the coming period, in view of the projected increase in the demand for use of the Fund's resources from current and prospective members. The forthcoming quota increases under the Ninth General Review will contribute importantly to replenishing the Fund's stock of usable ordinary resources, thereby enabling the Fund to meet the projected high level of demand for use of its resources.

The Fund has borrowed from official sources to supplement its resources and to finance members' purchases under the enlarged access policy established in 1981. On September 17, 1990, in the absence of any prospect of new borrowing in the near future, the Board decided that once existing credit lines were fully utilized, ordinary resources would be substituted to meet commitments of borrowed resources in financing purchases made under the enlarged access policy. This decision applied only to arrangements approved not later than the date on which the increases in quotas under the Ninth General Review of Quotas became effective or December 31, 1991, whichever was earlier. When a delay in the quota increases became apparent, the Board decided on December 11, 1991 to extend the decision on the substitution of ordinary for borrowed resources for purchases made under approved arrangements to not later than the date of effectiveness of the increases in quotas under the Ninth General Review or June 30, 1992, whichever was earlier.[6] Under the decision, ordinary resources substituted for borrowed resources carry the same repayment terms as borrowed resources but the same charges as ordinary resources. All credit lines available to finance enlarged access had been fully utilized by the end of December 1991, and as of April 30, 1992, SDR 0.5 billion of ordinary resources had been used to substitute for borrowed resources.

The guidelines for borrowing by the Fund, which were introduced in 1981 in the context of large-scale borrowing by the Fund to finance the enlarged access policy, were revised in November 1991. The previous guidelines, inter alia, imposed a borrowing limit in terms of a percent of Fund quotas, and provided

[6] On June 29, 1992, the Board further extended this date to September 30, 1992.

for a review of the guidelines upon the completion of the Ninth General Review of Quotas. The new guidelines do not set out specific borrowing limits in terms of quotas, but provision is made for appropriate borrowing limits in terms of quotas to be discussed in advance of any further borrowing undertaken by the Fund except in the case of borrowing under the General Arrangements to Borrow.

Financial Operations

While there was a substantial increase in commitments of resources by the Fund in 1991/92, purchases from the General Resources Account, excluding reserve tranche purchases,[7] decreased during the year to SDR 5.3 billion from SDR 6.2 billion in 1990/91. The bulk of these purchases was made by Asian, Eastern European, and Latin American countries. The decline in purchases resulted from a decrease of SDR 1.3 billion in disbursements under the CCFF and extended arrangements, which was partially offset by a rise of SDR 0.4 billion in disbursements under stand-by arrangements.

Repurchases in the General Resources Account in 1991/92 amounted to SDR 4.8 billion, representing a decrease of SDR 0.6 billion from the previous financial year. This figure included SDR 0.3 billion of repurchases made ahead of schedule, comprising mainly CCFF overcompensation (Appendix Table II.8). Repurchases, which peaked in 1987/88 following a significant expansion of Fund credit in the early 1980s, are expected to continue to decline in the short term, reflecting a decrease in the use of Fund credit during the latter part of the 1980s and the revolving nature and medium-term maturity of the Fund's balance of payments assistance (Chart 7).[8]

Netting repurchases against purchases, there was an increase in Fund credit outstanding in the General Resources Account in 1991/92 for the second year in a row, to SDR 23.4 billion as of April 30, 1992 compared with SDR 22.9 billion as of April 30, 1991 (Table 3 and Chart 8). Details are provided in Appendix Table II.9. This trend toward expansion of Fund credit outstanding is expected to accelerate in the period ahead.

Stand-By and Extended Arrangements

Twenty-one new stand-by arrangements, all with developing members, came into effect in 1991/92. These arrangements involved total commitments of SDR 5.6 billion of Fund resources, compared with SDR 2.8 billion committed in 1990/91 under 13 new stand-by arrangements. The largest commitments in 1991/92 were made to India (SDR 1.7 billion); Brazil (SDR 1.5 billion); Argentina (SDR 0.8 billion); Algeria and Egypt (SDR 0.3 billion each); and Bulgaria and Czechoslovakia (SDR 0.2 billion each). All but 3 of the 21 stand-by arrangements were financed exclusively with ordinary resources. As of April 30, 1992, a total of 22 countries had stand-by arrangements with the Fund, with total commitments of SDR 4.8 billion and undrawn balances of SDR 3.9 billion.

Two new extended arrangements were approved during 1991/92: Argentina (SDR 2.1 billion) and Zimbabwe (SDR 0.3 billion). This compares with two new arrangements for a total of SDR 2.3 billion approved in 1990/91. Total commitments at April 30, 1992 under the seven extended arrangements in effect were SDR 12.2 billion, of which SDR 6.2 billion remained undrawn.

In summary, total new commitments of Fund resources under both stand-by and extended arrangements increased from SDR 5.1 billion in 1990/91 to SDR 8.1 billion in 1991/92. Average annual access was 46 percent of quota under new stand-by arrangements and 62 percent of quota under new extended arrangements, ranging from 22 percent of quota (the Dominican Republic) to 90 percent of quota (Mongolia).

Special Facilities

The Fund's special facilities consist of the compensatory and contingency financing facility (CCFF) and the buffer stock financing facility (BSFF). (See Box 6.)

Purchases under the CCFF, which declined to SDR 1.4 billion in 1991/92 from SDR 2.1 billion in 1990/91, accounted for over one fourth of total purchases from the General Resources Account in 1991/92. The total for the financial year comprised purchases amounting to SDR 0.9 billion under the export shortfall element of the CCFF, SDR 0.5 billion under the oil element, and SDR 0.06 billion under the contingency element. The de-

[7] Reserve tranche purchases were made by three members in 1991/92 (SDR 14 million) and by four members in 1990/91 (SDR 707 million). Reserve tranche purchases represent members' use of their own Fund-related assets and are not use of Fund credit.

[8] Depending on the sources of financing, repurchases tend to peak about four to five years after the corresponding purchases.

Table 3

Selected Financial Indicators, 1985–92
(In millions of SDRs)

	Financial Year Ended April 30							
	1985	1986	1987	1988	1989	1990	1991	1992
	During period							
Total disbursements	**6,060**	**3,941**	**3,307**	**4,562**	**2,682**	**5,266**	**6,823**	**5,903**
Purchases by facility (GRA)[1]	6,060	3,941	3,168	4,118	2,128	4,440	6,248	5,294
Stand-by and first credit tranche	2,768	2,841	2,325	2,313	1,702	1,183	1,975	2,343
Compensatory financing facility	1,248	601	593	1,544	238	808	2,127	1,381
Extended Fund facility	2,044	498	250	260	188	2,449	2,146	1,571
Loans under SAF/ESAF arrangements	—	—	139	445	554	826	575	608
Special Disbursement Account resources	—	—	139	445	380	584	180	138
ESAF Trust resources	—	—	—	—	174	242	395	470
By region								
Industrial countries	—	—	—	—	—	—	—	—
Developing countries	6,060	3,941	3,307	4,562	2,682	5,267	6,823	5,903
Africa	1,018	842	647	955	701	1,289	577	740
Asia	747	844	1,282	804	469	525	1,714	1,476
Europe	838	323	68	—	338	268	1,960	1,516
Middle East	57	—	—	116	—	66	—	333
Western Hemisphere	3,401	1,933	1,311	2,688	1,174	3,119	2,572	1,838
Repurchases and repayments	**2,943**	**4,702**	**6,749**	**8,463**	**6,705**	**6,399**	**5,608**	**4,770**
Repurchases	2,730	4,289	6,169	7,935	6,258	6,042	5,440	4,768
Trust Fund and SAF/ESAF loan repayments	212	413	579	528	447	357	168	2
	End of period							
Total outstanding credit provided by Fund	**37,622**	**36,877**	**33,443**	**29,543**	**25,520**	**24,388**	**25,603**	**26,736**
Of which								
General Resources Account (GRA)	34,973	34,640	31,646	27,829	23,700	22,098	22,906	23,432
Special Disbursement Account	—	—	139	584	965	1,549	1,729	1,865
Administered accounts								
Trust Fund	2,650	2,237	1,658	1,129	682	326	158	158
ESAF Trust[2]	—	—	—	—	174	416	811	1,281
Percentage change in total outstanding credit	8.7	−2.0	−9.3	−11.7	−13.6	−4.4	5.0	4.4
Number of indebted countries	91	87	88	86	83	87	81	82

[1]Excluding reserve tranche purchases.
[2]Includes a Saudi Fund for Development associated loan of SDR 17.5 million.

crease in CCFF purchases partly reflected the temporary nature of the oil element of the CCFF, which was introduced in November 1990 and expired on December 31, 1991.[9] Purchases under the oil element of the CCFF were made by Czechoslovakia, the Dominican Republic, Hungary, India, Jamaica, Pakistan, and Panama. There were no purchases under the BSFF for the eighth consecutive year and no amounts were outstanding under that facility at the end of 1991/92.

[9] However, approval of a member's request for compensatory financing under the oil import element could take place through June 30, 1992, provided that the request was initiated before the end of 1991.

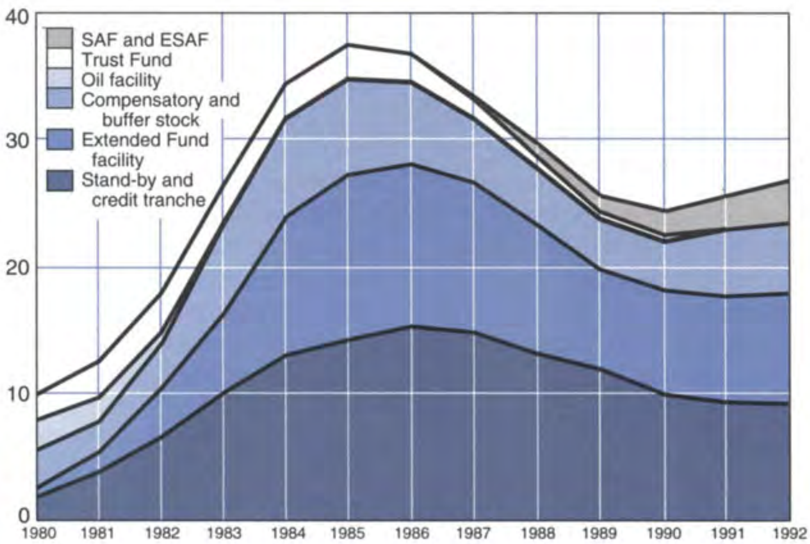
SAF and ESAF

During 1991/92 the Fund continued to provide financial support on concessional terms to low-income members through the structural adjustment facility (SAF) and the enhanced structural adjustment facility (ESAF). As of April 30, 1992, there were 8 SAF arrangements and 16 ESAF arrangements in effect. One new SAF arrangement was concluded in 1991/92 with the Comoros (SDR 3.2 million). Five new ESAF arrangements totaling SDR 636.6 million were also concluded in 1991/92 with Burundi (SDR 42.7 million), Guinea (SDR 57.9 million), Lesotho (SDR 18.1 million), Sri Lanka (SDR 336.0 million), and Tanzania (SDR 181.9 million).

SAF and ESAF disbursements during the year totaled SDR 0.6 billion. Cumulative commitments under all approved SAF and ESAF arrangements (including SAF and

Chart 8

Total Fund Credit Outstanding to Members (Including Trust Fund, SAF, and ESAF), Financial Years Ended April 30, 1980–92
(In billions of SDRs)



ESAF arrangements that have expired) totaled SDR 4.1 billion as of April 30, 1992, while cumulative disbursements under the two facilities amounted to SDR 3.1 billion, compared with SDR 2.5 billion as of April 30, 1991.

Under an amendment to the ESAF Trust approved in 1990, a request by Malawi for an additional annual arrangement in an amount of SDR 11.2 million was approved by the Board in 1991/92, following the expiration of that country's three-year ESAF arrangement. In April 1992, the Board approved a proposal to expand SAF/ESAF eligibility to include 11 additional countries with low per capita incomes and difficult debt and external adjustment problems. (See Box 10.)

SAF loans, whether made available under the SAF or the ESAF, are financed from the resources of the Special Disbursement Account (SDA), which derive from repayments on loans made from the Trust Fund (established in 1976). The remainder of the resources provided under the ESAF is financed from the ESAF Trust. Total resources available for disbursement from the SDA in support of SAF and ESAF arrangements, including disbursements already made, are projected to amount to about SDR 2.7 billion, assuming that existing overdue Trust Fund obligations are settled. As of April 30, 1992, total resources potentially available for disbursement from the ESAF Trust amounted to about SDR 5.3 billion, of which loan agreements for SDR 5.1 billion had been approved by the Board and had entered into effect. As of that date, SDR 1.3 billion had already been disbursed under these agreements. The Board conducted its latest review of SAF/ESAF operations in July 1992. At that time, the Board approved a one-year extension of the commitment period for ESAF Trust loans from November 30, 1992 to November 30, 1993. Such an extension of the commitment period for Trust loans requires a corresponding extension of the drawdown periods under the agreements with lenders to the ESAF Trust Loan Account to November 30, 1996.

To enable all ESAF financing to be provided at low concessional interest rates (currently 0.5 percent a year), subsidy contributions are received by the ESAF Trust Subsidy Account. Contributions to the Account take a variety of forms, including direct grants and deposits made at concessional interest rates. Resources available to the Subsidy Account, net of subsidies already paid, increased from SDR 384.5 million as of April 30, 1991 to SDR 506.0 million as of April 30, 1992. The ESAF Trust made interest payments to lenders in 1991/92 amounting to SDR 51.0 million, of which SDR 4.0 million was financed by payments of interest made by borrowers and the balance of SDR 47.0 million was drawn from the resources of the Subsidy Account. Details on SAF and ESAF arrangements, and borrowing agreements and subsidy contributions for the ESAF Trust, are provided in Appendix Tables II.4, II.5, and II.11.

Charges, Fund Income, and Burden Sharing

Since 1989/90 the basic rate of charge on the use of ordinary resources has been set as a proportion of the weekly SDR interest rate. This practice was adopted in order to avoid the need for sharp increases in the rate of charge at the time of the midyear review of income, such as had sometimes been necessary to achieve the target amount of net income in the past when the rate of charge was set at a fixed level. During 1991/92 the Board maintained this practice with the objective of generating a target amount of net income (5 percent of reserves at the beginning of the year) to add to the Fund's reserves. The proportion was set at 96.6 percent for 1991/92. For 1992/93, the Board decided to set the basic rate of charge at 97.9 percent of the SDR interest rate and to review this decision at midyear.

For 1991/92, the average rate of charge on the use of ordinary resources was 6.88 percent before the adjustments under the burden-sharing mechanisms, which are discussed below. Charges on the use of borrowed resources are based on the Fund's cost of borrowing plus a margin and are determined retroactively for each six-month period ending June 30 and December 31. During 1991/92, the average rates of charge under the supplementary financing facility and the policy on enlarged access were 7.55 percent and 7.95 percent, respectively. Charges on ordinary resources that have been substituted for borrowed resources are levied at the same rate as on ordinary resources and are subject to adjustments under the burden-sharing mechanisms.

The Board has maintained the various measures taken in recent years to strengthen the Fund's financial position against the financial consequences of overdue obligations. First, as mentioned above, a target amount of net income is added to the Fund's reserves each year. Second, the Board has agreed that the financial burden of overdue obligations should be shared between debtor and creditor members. Under the burden-sharing decision, one half each of the cost of deferred charges and the allocation to the Special Contingent Account (SCA-1) of 5 percent of reserves at the beginning of the year is borne by members paying charges on the use of the Fund's ordinary resources and by members receiving remuneration, except that the adjustment to the rate of remuneration cannot reduce that rate to less than 85 percent of the SDR interest rate.

As part of the strengthened cooperative strategy to resolve the problem of protracted overdue obligations, further adjustments (extended burden sharing) are made to the rate of charge on the use of ordinary resources and to the rate of remuneration (subject to the floor of 80 percent of the SDR interest rate stipulated in the Articles of Agreement), in order to accumulate SDR 1 billion over a period of about five years from July 1990. The resources so generated are placed in a second Special Contingent Account (SCA-2) and are intended to protect the Fund against risks associated with credit extended by the General Resources Account for the encashment of rights earned in the context of rights accumulation programs (see page 80, below) and to provide additional liquidity to finance those encashments. In April 1992, the Board decided to continue both the burden-sharing and extended burden-sharing mechanisms for 1992/93.

When deferred charges are settled by members in arrears to the Fund, an equivalent amount is paid to members that have paid higher charges or received lower remuneration under burden sharing. Settlements of deferred charges amounted to SDR 123 million during 1991/92 and cumulative refunds amounted to SDR 319 million at the end of April 1992. Balances in the SCA-1 will be returned to contributors when there are no more overdue obligations, or at such earlier time as the Fund may decide. Balances in the SCA-2 will be distributed to members that paid additional charges or received reduced remuneration when all outstanding purchases related to the encashment of rights have been repurchased, or at such earlier time as the Fund may decide.

For 1991/92 the target amount of net income to be added to reserves and the amount to be placed in the SCA-1 were each set at SDR 73.3 million. Unpaid charges due by members in protracted arrears and contributions to the SCA-1 resulted in adjustments to the basic rate of charge of 79 basis points, and in adjustments to the rate of remuneration of 86 basis points. Adjustments for extended burden sharing further increased the basic rate of charge by 35 basis points and further reduced the rate of remuneration by 61 basis points, to 80 percent of the average SDR interest rate. Shortfalls in the amounts placed in the SCA-2, owing to the 80 percent floor of the remuneration coefficient being reached—amounting to SDR 100 million cumulatively at the end of 1991/92—will be recaptured when the adjusted rate of remuneration does not reach that limit. For 1991/92 the adjusted rate of charge on the use of ordinary resources averaged 8.02 percent and the adjusted rate of remuneration averaged 5.69 percent.

Table 4

Arrears to the Fund of Members with Obligations Overdue by Six Months or More, 1987–92
(In millions of SDRs)

	Financial Year Ended April 30					
	1987	1988	1989	1990	1991	1992
Amount of overdue obligations	1,186.3	1,945.2	2,801.5	3,251.1	3,377.7	3,496.0
Number of members	8	9	11	11	9	10
Of which						
General Department	1,088.4	1,787.7	2,594.2	3,018.6	3,171.7	3,274.1
Number of members	8	9	11	11	9	10
SDR Department	15.6	25.1	35.0	44.7	27.3	37.5
Number of members	4	6	6	9	6	7
Trust Fund	82.3	132.4	172.3	187.8	178.7	184.3
Number of members	6	7	7	9	6	6
Number of ineligible members	5	7	8	10	8	8

For 1991/92, the Board decided to place the net income for the year, amounting to SDR 89.9 million, in the Fund's reserves, which increased to SDR 1.56 billion at the end of April 1992 from SDR 1.47 billion a year earlier. Total precautionary balances (reserves and the balances in the two Special Contingent Accounts) amounted to SDR 2.2 billion at the end of 1991/92.

At the end of 1991/92, the precautionary balances of SDR 1.9 billion (reserves plus SCA-1) available to protect the Fund's financial position against overdue repurchases in the General Resources Account were equivalent to 86 percent of such obligations. Since 1986/87 the Fund's exposure to loss from unpaid charges (SDR 878 million at April 30, 1992) has been offset through the burden-sharing mechanisms and the risk has been assumed by the Fund's debtor and creditor members. The precautionary balances placed in the SCA-2 (SDR 299 million at April 30, 1992), which will amount to SDR 1 billion by about mid-1995, are to protect the Fund against the risks associated with the encashment of rights by members currently with protracted arrears to the Fund that embark on rights accumulation programs.

Overdue Financial Obligations

Overdue financial obligations to the Fund remained a serious concern in 1991/92, and intensive efforts continued to be directed during the year toward resolving this problem. While the total amount of overdue obligations rose from SDR 3.4 billion at the end of 1990/91 to SDR 3.5 billion at the end of 1991/92, both the absolute increase and the rate of growth in overdue obligations were the lowest for any year since 1981/82. Although one member in protracted arrears, Panama, eliminated its overdue obligations early in 1992 and a number of shorter-term cases were resolved during 1991/92, the number of members in arrears to the Fund by six months or more increased from nine to ten. All of the members in protracted arrears were in arrears to the General Resources Account; seven had arrears in the SDR Department; six had arrears to the Trust Fund; and three were in arrears on interest payments and related special charges on SAF loans; there were no arrears to the ESAF Trust. Deferred charges due from these members—which are excluded from the Fund's current income—amounted to SDR 1,182 million at the end of 1991/92, compared with SDR 1,078 million at the end of 1990/91. Selected data on arrears to the Fund for 1986/87–1991/92 are shown in Table 4; additional data on members' overdue obligations by type and duration are shown in Table 5.

As of April 30, 1992, eight members were ineligible to use the general resources of the Fund, pursuant to declarations under Article XXVI, Section 2(*a*).[10] On September 6, 1991, Zaïre was declared ineligible in the light of its overdue obligations in the General Department. As of that date, Zaïre had overdue obligations of SDR 59.4 million to the General Resources Account (with the longest overdue obligation outstanding for 7 months), and SDR 1.6 million in the SDR Department. This latter obligation was subsequently settled. Earlier declarations of ineligibility with respect to Liberia, Peru, Sierra Leone, Somalia, Sudan, Viet Nam, and Zambia remained in effect. Panama satisfactorily completed a Fund-monitored program during the year, cleared its overdue obligations to the Fund, and adopted a

[10] One other member (Cambodia) that has had overdue obligations to the Fund since 1975 has not been declared ineligible.

Table 5

Arrears to the Fund of Members with Obligations Overdue by Six Months or More, by Type and Duration, as of April 30, 1992
(In millions of SDRs)

		By Type			By Duration			
Member	Total	General Department	SDR Department	Trust Fund	Less than one year	One–two years	Two–three years	Three years or more
Cambodia	41.7	31.0	10.7	—	2.6	2.8	2.5	33.7
Iraq	8.7	—[1]	8.6	—	5.5	3.1	—	—
Liberia	380.8	343.4	7.4	30.0	30.3	43.1	51.5	255.9
Peru	622.7	622.7	—	—	—	—	53.6	569.1
Sierra Leone	87.3	76.4	0.3	10.6	10.1	11.9	7.6	57.7
Somalia	143.7	134.9	1.4	7.3	18.0	24.6	44.9	56.2
Sudan	1,090.2	1,002.0	7.1	81.1	83.4	120.1	134.4	752.3
Viet Nam	100.4	50.7	2.0	47.8	4.4	4.2	3.5	88.4
Zaïre	99.0	99.0	—	—	78.1	20.9	—	—
Zambia	921.5	914.0	—	7.5	60.8	77.0	177.5	606.1
Total	3,496.0	3,274.1	37.5	184.3	293.1	307.9	475.6	2,419.4

[1]Less than SDR 50,000.

Fund-supported adjustment program. As a result, Panama's declaration of ineligibility was terminated on February 5, 1992. As of the end of the financial year, the eight ineligible members accounted for 98.5 percent of total overdue obligations to the Fund.

To safeguard the financial integrity of the Fund and to preserve its effectiveness as a cooperative intergovernmental monetary institution, overdue financial obligations must be reduced and eliminated. During 1991/92, the Fund continued to implement the strengthened cooperative strategy on overdue financial obligations, with encouraging results. Payments by all members ineligible to use Fund resources as a proportion of obligations falling due from those members rose sharply to 60 percent in 1991, compared with 39 percent in 1990 and 16 percent in 1989.

Four members—Peru, Sierra Leone, Viet Nam, and Zambia—have been implementing adjustment programs aimed at restoring external viability and have undertaken to stabilize the level of their arrears by, at a minimum, making payments equivalent to newly maturing obligations to the Fund. During the financial year, the Board endorsed the comprehensive adjustment programs adopted by Peru and Sierra Leone as rights accumulation programs. Zambia's rights accumulation program, which had been endorsed by the Board in April 1991, went off track during the year largely because of fiscal policy slippages. Subsequently, corrective measures were taken by a newly elected government, arrears were reduced to the end-of-1991 level, and a revised policy framework paper was discussed by the Board. In July 1992, the Board endorsed a new rights accumulation program for Zambia. Viet Nam has continued to implement economic reforms to address underlying domestic and external imbalances and to make payments to the Fund equivalent to obligations falling due.

Sudan adopted some adjustment measures during 1991/92 and, after a hiatus of more than a year, made some small payments to the Fund. Progress in three other cases—Cambodia, Liberia, and Somalia—has been hampered by internal and external conflicts and highly unsettled political conditions—although, in the case of Cambodia, recently improved prospects in the political environment have permitted Fund staff visits aimed at the restoration of normal relations with the member. Similar elements have been contributing factors in the three cases of arrears—Haiti, Iraq, and Zaïre—that have arisen since the introduction of the strengthened cooperative strategy in 1990.

Progress Under the Strengthened Cooperative Strategy

The strengthened cooperative strategy on overdue financial obligations to the Fund was endorsed by the Interim Committee in May 1990. During 1991/92 the Board continued to implement the three key elements of this strategy—prevention, deterrence, and intensified collaboration—to assist members in finding solutions to their arrears problems and to prevent the emergence of new arrears.

Preventive Measures

Preventive measures seek to ensure that all members using Fund resources will be able to meet their obligations to the Fund as they fall due. Analyses of members' external viability and their capacity to repay the Fund have been strengthened both in discussions with the authorities and in staff papers supporting members' requests for the use of Fund resources. The purpose of these analyses is to highlight potential risks and dangers arising, for example, from a bunching of maturities, an excessive debt burden, future financing gaps, or the sensitivity of an adjustment program to exogenous developments. Every effort is made to address these risks in the design, implementation, and financing of programs. When a medium-term scenario indicates large financing gaps or a very heavy debt burden, the Board has been informed of the future financing needs and of how these are expected to be met by donors and creditors. In these instances, the Fund has sought additional assurances from the international financial community on the availability of financing on appropriate terms over the medium term.

Members that have had difficulty in staying current with the Fund have been assisted through specific arrangements designed to facilitate timely repayments. Such arrangements have included the voluntary advance acquisition of SDRs, the setting of higher targets for international reserves, or the accumulation of budgetary resources in local currency. A number of members have arranged for the voluntary advance acquisition of SDRs to settle obligations falling due to the Fund in a subsequent period and have given the Fund a standing authorization to debit their SDR account for amounts as they fall due. These arrangements, which are administratively simple, reduce the risk of delays in payments to the Fund and at the same time offer members a liquid international reserve asset that provides currency diversification and a market-related rate of return.

Deterrent and Remedial Measures

The deterrent or remedial element of the arrears strategy comprises a specific series of measures designed to be implemented in accordance with the Board's judgment regarding a member's cooperation with the Fund in addressing the problem of its overdue obligations. While the strategy includes a timetable for the Board's consideration of measures to be taken in the case of a member with arrears to the Fund that is judged not to be cooperating, the Board may decide to move at a different pace from that provided in the timetable, taking into account the particular circumstances of a member.

The timetable has been applied in such a manner to the new cases of arrears that have emerged since the strengthened cooperative strategy was adopted in early 1990. Zaïre was declared ineligible to use the general resources of the Fund on September 6, 1991; subsequently, on February 14, 1992, the Board issued a declaration of noncooperation regarding Zaïre, which noted that in the event Zaïre did not resume active cooperation with the Fund, the Fund would consider further measures in accordance with the strengthened cooperative strategy. The timing of both declarations, and of other remedial measures, such as communications from the Managing Director to Fund Governors, was within the maximum periods envisaged under the strengthened timetable. In the two other new cases (Haiti and Iraq), on the other hand, after the issuance of the respective complaints, it was decided to delay the application of further remedial measures in light of the particular circumstances of the members concerned.

As regards members in protracted arrears at the end of 1989, the Board decided not to consider further remedial measures during the course of 1991/92 in the cases of Liberia and Somalia, in view of the unsettled political and security situations of those members. Earlier declarations of noncooperation with respect to Liberia and Sudan remained in effect. In the case of Sudan, further remedial measures in accordance with the strengthened arrears strategy have been considered by the Board on a number of occasions following the issuance of the declaration of noncooperation in September 1990.

In April 1992, the Board reviewed the application of deterrent and remedial measures and concluded that the timetable remained appropriate. The Board also considered the criteria to be used in deciding whether to lift a declaration of noncooperation and agreed that the same criteria were relevant in reaching that judgment as were applied in deciding whether to issue such a declaration.

Intensified Collaboration and the Rights Approach

The availability of the rights approach is limited to those of the 11 members with protracted arrears to the Fund at the end of 1989 that enter into a rights accumulation program by a certain deadline, which was extended to the spring 1993 Interim Committee meeting. Three of the original eligible members—Guyana, Honduras, and Panama—have cleared their arrears to the Fund without recourse to the rights approach. Three other members—Zambia, Peru, and Sierra Leone—have adopted rights accumulation programs of differing durations.

Rights accumulation programs allow members in protracted arrears to the Fund to accumulate rights to future drawings on Fund resources in accordance with a phased schedule, and in amounts up to the level of the arrears outstanding at the beginning of the program, or some specified lower level, upon meeting the agreed performance criteria of the program. Disbursements, however, only follow the clearance of arrears and are conditional upon satisfactory conclusion of the rights program and endorsement by the Fund of a follow-up arrangement. Such rights accumulation programs are an important element of the intensified collaborative approach to the arrears problem and can be instrumental in assisting a member in protracted arrears in establishing a track record of improved policy and payments performance.

In some cases, such a substantial track record on policies and payments, which is needed for the normalization of a member's relations with the international financial community, has been established under programs monitored by the Fund outside the rights approach. In turn, the international financial community has provided support to the members in arrears through a variety of channels. Following satisfactory completion of a Fund-monitored program, arrangements for the clearance of Panama's arrears to the Fund and the World Bank, as well as to other international organizations, were completed with the assistance of Panama's major creditors and donors.

The cases of Peru and Zambia have been particularly complex, owing to the existence of very large financing requirements and protracted arrears to all major creditors. The financing required for Peru's rights accumulation program has been mobilized through a Support Group, co-chaired by the United States and Japan, with broad international representation. In the case of Zambia, discussions among donors and creditors have been centered in the Consultative Group and the World Bank's Special Program of Assistance for Africa. Also, in the cases of Peru and Zambia, the Paris Club granted extraordinary cash flow relief to help meet the financing requirements of their economic programs. With respect to Sierra Leone, for which the Board endorsed a request for the accumulation of rights in April 1992, discussions took place within an informal donors group, consisting of a number of major industrial nations and international financial institutions.

In the context of the collaborative approach, the Board decided in April 1991 to suspend all special charges on the overdue obligations to the General Resources Account of members in protracted arrears to the Fund that were judged to be actively cooperating with the Fund toward the resolution of their arrears problems. Four members—Panama, Peru, Viet Nam, and Zambia—originally qualified for such a suspension and benefited to varying degrees from the suspension during the year. Sierra Leone also qualified for such a suspension when the Board endorsed its rights accumulation program on April 3, 1992. In light of the efforts being made by all parties to resolve the problem of protracted arrears to the Fund, the Board decided in April 1992 to discontinue levying special charges in the General Resources Account (with effect from May 1, 1992) on members with overdue obligations in the General Resources Account that have been outstanding for six months or more. This will alleviate the financing requirements of adjustment programs adopted by members in protracted arrears, while at the same time maintaining the deterrent effect of special charges on newly overdue obligations.

Cooperation with the World Bank and Regional Development Banks

Cooperation with the World Bank and regional development banks remains central to progress in eliminating arrears. In May 1991, the World Bank's Executive Board considered procedures to supplement its policies with regard to arrears and adopted a "workout" approach in which the Bank undertakes, during a pre-clearance "performance period," to engage in an intensive policy dialogue with a country in arrears and to develop loan proposals for that member to be presented to its Executive Board. As in the rights approach, disbursements are conditioned upon clearance of the arrears and satisfactory performance during the workout period. The Bank's new workout approach was first applied in the case of Peru. At present, a workout program runs concurrently with the Fund's rights accumulation program for Peru. In the case of Zambia, a sequential approach to clearance of arrears was adopted, with the Bank's arrears being cleared first, in the context of a three-year Fund-endorsed rights accumulation program. Early clearance of arrears to the Bank was intended to allow for net new disbursements from the Bank Group and associated cofinancing (including from the African Development Bank (AfDB)) in support of Zambia's economic program.

Cooperation between the Fund and the World Bank, as well as the Inter-American Development Bank (IDB), also proved important for the clearance of arrears to the World Bank and the IDB by Nicaragua and to all three institutions by Panama. In the case of Sierra Leone, the Fund and the World Bank have worked closely on the design of the rights accumulation program and the IDA Reconstruction Import Credit with cofinancing from the AfDB. The Fund also continues to cooperate with the other regional development banks to normalize relations with countries with protracted arrears. The Fund, the World Bank, and the Asian Development Bank (AsDB) have participated, with representatives from a number of industrial countries, in meetings to discuss the normalization of creditor relations with Viet Nam. Fund staff are also closely coordinating efforts with the AsDB on Cambodia and, together with the UNDP, have been working to set up a coordinated technical assistance program for Cambodia. In addition to the AfDB's involvement in providing financing to Sierra Leone, the staff of the AfDB have been in contact with the Fund on Liberia. Staff in the AfDB's country risk department now have regular working level contact with staff in the Fund's functional departments, and Fund/AfDB overlapping missions have taken place in Sudan.

SDR Department

The SDR (special drawing right), the international reserve asset created by the Fund, may be held by Fund members (all of which are currently participants in the SDR Department), the Fund's General Resources Account, and official entities prescribed by the Fund to hold SDRs. Prescribed holders do not receive allocations but can acquire and use SDRs in operations and transactions with participants in the SDR Department and other prescribed holders under the same terms and conditions as participants. The number of institutions prescribed by the Fund to accept, hold, and use SDRs remained unchanged at 16 during 1991/92.[11]

The SDR, which is the unit of account for Fund operations and transactions and for its administered accounts, is also used as a unit of account (or as the basis for a unit of account) by a number of other international and regional organizations and a number of international conventions. In addition, the SDR has been used to denominate financial instruments created outside the Fund by the private sector (private SDRs). At the end of the financial year, the currencies of five member countries were pegged to the SDR.

[11] These prescribed holders of SDRs are the African Development Bank, African Development Fund, Andean Reserve Fund, Arab Monetary Fund, Asian Development Bank, Bank of Central African States, Bank for International Settlements, Central Bank of West African States, East African Development Bank, Eastern Caribbean Central Bank, International Bank for Reconstruction and Development, International Development Association, International Fund for Agricultural Development, Islamic Development Bank, Nordic Investment Bank, and Swiss National Bank.

SDR Valuation and Interest Rate Basket

The current SDR valuation basket comprises the currencies of the five member countries in the Fund with the largest exports of goods and services in terms of value during the period 1985–89. The weights and the corresponding amounts of each of the five currencies in the valuation basket are shown in Table 6; the current basket will be in effect until December 1995.

The financial instruments included in the current SDR interest rate basket are the market yield for three-month U.S. Treasury bills; the three-month interbank deposit rate in Germany; the rate on three-month certificates of deposit in Japan; the rate on three-month treasury bills in France; and the market yield for three-month U.K. treasury bills. The weekly (Monday–Sunday) yield on the SDR is computed as the sum, rounded to the two nearest decimal places, of the products of the respective interest rates, the currency amounts, and the exchange rates in effect on the preceding Friday.

Table 6

SDR Valuation

(Percentage weights; amounts of currency units in parentheses)

Currency	SDR Basket
U.S. dollar	40 (0.572)
Deutsche mark	21 (0.453)
Japanese yen	17 (31.8)
French franc	11 (0.800)
Pound sterling	11 (0.0812)

Pattern of SDR Holdings

The total allocation of SDRs remained unchanged at SDR 21.4 billion in 1991/92. Holdings of SDRs by participants decreased marginally during the year to SDR 20.7 billion from SDR 20.8 billion a year earlier, while the Fund's holdings of SDRs in the General Resources Account remained virtually unchanged at SDR 0.7 billion.[12] SDRs held by prescribed holders increased from SDR 12 million to SDR 54 million. During the year, the SDR holdings of developing countries, as a proportion of their net cumulative allocations, declined from 45.9 percent to 42.3 percent, while those of industrial countries increased marginally from 120.7 percent to 121.1 percent. (See Appendix Tables II.12 and II.13.)

Total SDR Transfers

Total transfers of SDRs during 1991/92 declined to SDR 13.4 billion from SDR 14.8 billion in 1990/91, reflecting decreases in transfers among participants and prescribed holders as well as in transfers between the General Resources Account and participants and prescribed holders. Summary data on transfers of SDRs by participants, the General Resources Account, and prescribed holders are presented in Table 7.

SDR Transfers Among Participants and Prescribed Holders

Transfers of SDRs among participants and prescribed holders declined in 1991/92 to SDR 5.8 billion (Table 7), mainly because of a decrease in transactions by agreement to SDR 5.0 billion (of which SDR 322 million involved prescribed holders). The other SDR 0.8 billion of transfers was accounted for mainly by SDR interest payments, and Fund-related and prescribed operations, the latter consisting largely of settlements of financial obligations. For the fourth consecutive year, there were no transactions with designation, as all prospective uses of SDRs through the designation process were arranged through transactions by agreement among participants.[13] The transition from a period when a portion of SDRs used by members depended on the obligatory acceptance of SDRs by other members to a period when all use of SDRs is accommodated through voluntary transactions was made possible largely by the establishment by a number of members of standing arrangements with the Fund to buy or sell SDRs (so-called two-way arrangements). Under these arrangements, members stand ready to buy or sell SDRs for one or more of the currencies in the SDR valuation basket at any time, provided that their SDR holdings remain within certain bounds. These arrangements have contributed to the smooth functioning of the SDR system by accommodating a large portion of the desired purchases and sales of SDRs.

Of the total transactions by agreement of SDR 5.0 billion in 1991/92, SDR 3.7 billion represented purchases of SDRs by participants. To discharge obligations to the Fund (charges, which must be paid in SDRs, or repurchases, which may be paid in SDRs), participants can use their own SDR holdings, or they can acquire SDRs in transactions by agreement or from the General Resources Account. Total purchases of SDRs for this purpose in transactions by agreement amounted to

[12] In accordance with the guidelines in Executive Board Decision No. 8574-(87/64) of April 24, 1987, the level of the Fund's SDR holdings in the General Resources Account is to be maintained within the approximate range of SDR 0.75–1.25 billion.

[13] In order to ensure the ability of participants to use their SDRs, the Fund's Articles of Agreement provide for a mechanism called designation whereby participants whose balance of payments and reserve positions are deemed sufficiently strong are obliged, or designated, by the Fund to provide freely usable currencies for specified amounts of SDRs. In transactions with designation, the participant exchanging its SDRs is required to make a representation to the Fund that it has a need to use its SDRs because of its weak balance of payments or reserve position and not for the sole purpose of changing the composition of its reserves.

Table 7

Transfers of SDRs, January 1, 1970–April 30, 1992
(In millions of SDRs)

	Annual Averages[1]					Financial Year Ended April 30			Total
	1/1/70–4/30/78	5/1/78–4/30/81	5/1/81–4/30/83	5/1/83–4/30/87	5/1/87–4/30/89	1990	1991	1992	Jan. 1, 1970–Apr. 30, 1992
Transfers among participants and prescribed holders									
Transactions with designation									
From own holdings	221	294	815	165	—	—	—	—	5,016
From purchase of SDRs from Fund	43	1,150	1,479	1,744	493	—	—	—	14,727
Transactions by agreement	439	771	1,262	3,121	7,011	6,777	5,266	5,019	52,058
Prescribed operations	—	—	277	520	1,115	291	349	240	5,745
Fund-related operations	—	—	—	43	315	211	132	149	1,294
Net interest on SDRs	42	161	259	285	330	483	541	441	4,612
Total	743	2,377	4,092	5,878	9,264	7,762	6,289	5,848	83,452
Transfers from participants to General Resources Account									
Repurchases	306	809	702	991	2,492	2,339	1,991	1,838	21,496
Charges	259	620	1,233	2,574	1,868	1,897	2,006	1,883	26,299
Quota payments	24	1,703	175	1,591	—	33	220	11	12,290
Interest received on General Resources Acccount holdings	16	135	551	307	69	86	79	57	3,228
Assessments	1	1	2	4	4	4	4	4	52
Total	606	3,269	2,662	5,466	4,432	4,360	4,301	3,794	63,365
Transfers from General Resources Account to participants and prescribed holders									
Purchases	208	1,474	2,227	2,554	1,236	945	1,334	1,881	27,451
Repayments of Fund borrowings	—	88	86	614	1,891	1,845	1,090	500	10,108
Interest on Fund borrowings	4	27	183	443	537	334	195	77	3,935
In exchange for other members' currencies									
Acquisitions to pay charges	—	3	95	896	323	364	364	253	5,408
Acquisitions to make quota payments	—	114	—	—	—	—	—	—	341
Reconstitution	175	33	—	—	—	—	—	—	1,555
Remuneration	26	165	604	1,536	913	1,196	1,172	1,009	13,270
Other	29	7	22	17	25	24	80	89	619
Total	442	1,911	3,217	6,059	4,926	4,707	4,235	3,808	62,688
Total transfers	1,792	7,556	9,971	17,404	18,622	16,829	14,824	13,450	209,505
General Resources Account holdings at end of period	1,371	5,445	4,335	1,960	976	628	694	680	680

[1]The first column covers the period from the creation of the SDR until the Second Amendment to the Articles of Agreement; the second column shows the period covering the SDR allocations in the third basic period, as well as the Seventh General Quota increases; and the fourth column covers the period during which the Eighth General Quota increases came into effect and before two-way arrangements facilitated transactions by agreement.

SDR 3.0 billion in 1991/92, of which SDR 1.5 billion was accounted for by purchases from members with two-way arrangements and another SDR 0.9 billion by purchases from members with selling-only arrangements or purchases effected by directly matching buyers and sellers. To help satisfy desired acquisitions of SDRs that could not be accommodated from the sources just mentioned, the Fund requested additional SDR sales by a number of members with relatively large SDR holdings; these members provided an additional SDR 0.6 billion for sale in 1991/92. Participants also sold in transactions by agreement a large portion of the SDRs they received in purchases from the Fund. Of the total sales of SDR 1.3 billion by participants in 1991/92, SDR 1.2 billion was to members with two-way arrangements.

SDR Transfers Involving the Fund

SDR transfers between participants and the Fund amounted to SDR 7.6 billion in 1991/92, compared with SDR 8.5 billion in 1990/91. Receipts of SDRs by the General Resources Account declined from SDR 4.3 billion to SDR 3.8 billion. Receipts consisted mainly of payments of charges on members' use of Fund resources, which amounted to SDR 1.9 billion, and repurchases made in SDRs of SDR 1.8 billion. SDRs accounted for about 39 percent of total repurchases discharged in 1991/92. The remainder of receipts, about SDR 0.1 billion, consisted mainly of quota payments by new members and interest received on General Resources Account holdings.

Transfers from the General Resources Account to participants decreased by about 10 percent to SDR 3.8 billion in 1991/92. The total of SDRs used for interest payments and in repayments of Fund borrowings during the year declined by SDR 0.7 billion to SDR 0.6 billion. SDRs used to finance purchases increased to SDR 1.9 billion, while remuneration payments made in SDRs on members' creditor positions and SDRs acquired by members against foreign exchange declined to SDR 1.0 billion and SDR 0.3 billion, respectively.

SDRs were used in other operations in connection with SAF, ESAF, and Trust Fund loans, and the SFF Subsidy Account, including disbursements of loans or subsidies to members, and repayments of principal and payments of interest and special charges by members. In 1991/92 these Fund-related operations totaled SDR 149 million.

Appendices

International Reserves

This appendix reviews recent developments in international reserves and liquidity as represented by (1) the evolution of holdings of official assets; (2) the currency composition and distribution of foreign exchange reserves; and (3) the placement of official holdings of foreign exchange reserves.

Recent Evolution of Official Reserve Assets

In 1991, total international reserves measured in SDR terms increased by 1 percent, to SDR 904 billion, reflecting an increase in the holdings of non-gold reserves partially offset by a significant fall in the market value of official holdings of gold (Table I.1). The growth of non-gold reserves reflected a large increase in holdings of foreign exchange reserves by developing countries that more than offset lower holdings in industrial countries.

Non-Gold Reserves

Non-gold reserves increased by 5 percent in 1991 to SDR 672 billion at the end of the year. This increase represented a continuation in the expansion of non-gold reserves that has been evident since 1986. The growth of non-gold reserves in 1991 mainly reflected an expansion of such holdings in developing countries, which increased at an annual rate of 21 percent; whereas holdings of industrial countries fell by 3 percent. All major groups of developing countries increased their non-gold reserve during 1991. The non-gold reserve holdings of those developing countries that have experienced recent debt-servicing problems rose by 26 percent, following a 34 percent increase in 1990. Capital importing developing countries without debt-servicing problems increased their non-gold reserve holdings by 27 percent.

Foreign Exchange Reserves

Foreign exchange reserves grew by 5 percent in 1991 to reach SDR 626 billion by the end of the year. Although this rise in foreign exchange reserves in 1991 continued the strong growth of the previous five years, 1991 marked the first year in that period in which the reserves of the industrial countries declined. Total holdings of foreign exchange reserves grew by SDR 32 billion as an expansion of the holdings of developing countries, which rose by SDR 48 billion (an annual rate of growth of 22 percent), more than offset the decline in the exchanges reserves of industrial countries, which fell by SDR 16 billion (a 4 percent decline). The increase in the holdings of developing countries continued the process of accumulation of foreign exchange reserves initiated in 1987 after successive declines in 1985 and 1986.

Holdings of Fund-Related Reserve Assets

Holdings of Fund-related assets increased by 5 percent in 1991 to reach SDR 46 billion at the end of the year, reflecting an SDR 2 billion increase in holdings of reserve positions in the Fund. Reserve positions in the Fund, which comprise the reserve tranche position and the creditor position, fell by SDR 12 billion between the end of 1986 and the end of 1990 before increasing in 1991. Members' holdings of SDRs remained unchanged in 1990.

Gold

The market value of the global stock of gold reserves declined by 9 percent in 1991 to SDR 232 billion. This decrease reflected almost entirely changes in the price of gold, although a small decline in the physical stock of official gold reserves also occurred. The physical stock has remained fairly constant since 1972, except for a 9 percent decline in 1979, which occurred mainly because members of the European Monetary System swapped 20 percent of their gold holdings with the European Monetary Cooperation Fund (EMCF) for European currency units (ECUs). Both the physical holdings of gold and its distribution between industrial and developing countries changed very little during the 1980s. Industrial countries held 85 percent and developing countries 15 percent of the total physical stock of gold reserves of 940 million ounces at the end of 1990.

Developments in the First Quarter of 1992

Total international reserves rose by SDR 22 billion in the first quarter of 1992 due to increases in both non-gold and gold reserves. The larger holdings of non-gold reserves reflected a rise of SDR 16 billion in the foreign exchange reserves of developing countries, while the foreign exchange reserves of industrial countries also increased by SDR 4 billion.

The market value of official holdings of gold rose slightly from SDR 232 billion at the end of 1991 to SDR 235 billion at the end of the first quarter of 1992. Since the total physical holdings of gold changed only slightly, the rise in the market value of gold was largely due to an increase in the market price of gold from SDR 247 to SDR 249 an ounce over the quarter.

Currency Composition of Reserves

During the past decade, there has been an ongoing diversification of the currency composition of foreign exchange reserves. However, this diversification has primarily reflected changes in the industrial countries rather than in developing countries. The share of the U.S. dollar in total foreign exchange reserves has fallen from about 70 percent in the period 1982–84 to 56 percent at the end of 1991 (Table I.2). The counterpart to this decline in the U.S. dollar share has been higher proportions of reserves held as deutsche mark, Japanese yen, and, to a lesser extent, French francs and sterling.

In the calculation of these shares, the SDR value of ECUs issued against gold is not counted as part of foreign exchange reserves, but the SDR value of ECUs issued against dollars is counted as part of the holdings of dollars. The overall picture of changes in the trend in the currency composition of foreign exchange reserves is similar if ECUs, which were introduced in 1979 and accounted for 12 percent of total identified official holdings of foreign exchange at the end of 1991, are treated separately. In particular, the share of the U.S. dollar (excluding holdings of ECUs) in total identified reserve holdings fell from 56 percent at the end of 1987 to 50 percent at the end of 1991 (Table I.2)

ECUs are issued by the EMCF to the central banks of the members in exchange for the deposit of 20 percent of the gold holdings and 20 percent of the gross dollar holdings of these institutions. These swaps are renewed every three months, and changes in the member's holdings of dollars and gold, as well as changes in the market price of gold and the foreign exchange

Table I.1

Official Holdings of Reserve Assets, End of Year 1986–March 1992[1]
(In billions of SDRs)

	1986	1987	1988	1989	1990	1991	March 1992
All countries							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	35.3	31.5	28.3	25.5	23.7	25.9	25.5
SDRs	19.5	20.2	20.2	20.5	20.4	20.6	20.6
Subtotal, Fund-related assets	54.8	51.7	48.4	46.0	44.1	46.4	46.0
Foreign exchange	364.1	456.1	494.5	545.2	593.8	625.5	645.9
Total reserves excluding gold	419.0	507.8	543.0	591.1	637.9	672.0	691.9
Gold[2]							
Quantity (*millions of ounces*)	953.2	947.5	948.0	942.8	940.6	939.6	941.2
Value at London market price	304.6	323.3	289.0	287.7	254.6	232.3	234.5
Industrial countries							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	23.1	20.5	19.6	19.6	20.0	22.8	22.5
SDRs	16.1	16.5	17.6	17.7	17.6	17.5	17.7
Subtotal, Fund-related assets	39.2	36.9	37.1	37.2	37.6	40.2	40.2
Foreign exchange	212.1	287.4	315.9	345.0	376.5	360.4	364.7
Total reserves excluding gold	251.3	324.3	353.1	382.2	414.1	400.6	405.0
Gold[2]							
Quantity (*millions of ounces*)	809.1	804.8	801.1	797.9	795.9	793.8	793.2
Value at London market price	258.6	274.6	244.2	243.5	215.4	196.2	197.6
Developing countries							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	12.3	11.0	8.7	5.9	3.8	3.1	2.9
SDRs	3.4	3.7	2.6	2.8	2.7	3.1	2.9
Subtotal, Fund-related assets	15.6	14.7	11.3	8.7	6.5	6.2	5.8
Foreign exchange	152.0	168.7	178.6	200.2	217.3	265.1	281.1
Total reserves excluding gold	167.7	183.5	189.9	208.9	223.8	271.3	286.9
Gold[2]							
Quantity (*millions of ounces*)	144.0	142.7	146.9	144.9	144.7	145.8	148.1
Value at London market price	46.0	48.7	44.8	44.2	39.2	36.1	36.9
Net debtors							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	2.3	2.1	1.5	1.6	1.1	1.3	1.3
SDRs	2.3	2.6	1.6	1.6	1.8	2.2	2.0
Subtotal, Fund-related assets	4.6	4.6	3.1	3.2	3.0	3.5	3.2
Foreign exchange	90.4	90.6	101.5	120.5	145.1	184.1	196.7
Total reserves excluding gold	95.1	95.2	104.5	123.7	148.1	187.6	199.9
Gold[2]							
Quantity (*millions of ounces*)	119.7	116.4	114.8	112.7	112.6	113.7	115.9
Value at London market price	38.3	39.7	35.0	34.4	30.5	28.1	28.9
Countries with debt-servicing problems							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	0.8	0.6	0.1	0.1	0.1	0.1	0.1
SDRs	0.8	1.3	0.5	0.5	0.7	1.0	0.8
Subtotal, Fund-related assets	1.7	1.9	0.6	0.6	0.8	1.1	0.9
Foreign exchange	35.9	34.7	33.3	39.1	52.6	66.0	70.7
Total reserves excluding gold	37.6	36.6	34.0	39.7	53.3	67.1	71.6
Gold[2]							
Quantity (*millions of ounces*)	52.3	53.1	51.0	48.9	51.4	51.1	52.4
Value at London market price	16.7	18.1	15.5	14.9	13.9	12.6	13.0

Table I.1 (*concluded*)

Official Holdings of Reserve Assets, End of Year 1986–March 1992[1]
(In billions of SDRs)

	1986	1987	1988	1989	1990	1991	March 1992
Countries without debt-servicing problems							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	1.5	1.5	1.4	1.6	1.1	1.2	1.2
SDRs	1.4	1.3	1.1	1.1	1.2	1.2	1.1
Subtotal, Fund-related assets	2.9	2.8	2.4	2.6	2.2	2.4	2.3
Foreign exchange	54.5	55.8	68.1	81.4	92.6	118.1	126.0
Total reserves excluding gold	57.5	58.6	70.6	84.0	94.8	120.5	128.3
Gold[2]							
Quantity (*millions of ounces*)	67.5	63.3	63.8	63.8	61.2	62.5	63.5
Value at London market price	21.6	21.6	19.5	19.5	16.6	15.5	15.8

Source: International Monetary Fund, *International Monetary Statistics*.
[1] "Fund-related assets" comprise reserve positions in the Fund and SDR holdings of all Fund members and Switzerland. Claims by Switzerland on the Fund are included in the line showing reserve positions in the Fund. The entries under "Foreign exchange" and "Gold" comprise official holdings of those Fund members for which data are available and certain other countries or areas, including Switzerland.
[2] One troy ounce equals 31.103 grams. The market price is the afternoon price fixed in London on the last business day of each period.

value of the dollar, affect the amount of ECUs outstanding.[1] Quantity changes in ECU holdings depend, therefore, partly on the evolution of the two components of the EMCF swap.[2] The SDR 8 billion fall in holdings of ECUs that occurred in 1991 resulted from a negative quantity change (SDR 21 billion) and a positive valuation effect (SDR 13 billion).

Changes in the SDR value of foreign exchange reserves can also be decomposed into valuation (or price) and quantity changes for each of the major currencies (including the ECU) and for the total of the identified foreign exchange reserves (Table I.3). In 1991, total identified foreign exchange reserves increased by SDR 19 billion as a result of a positive quantity change of SDR 22 billion and a valuation loss of SDR 3 billion.

There are significant differences in the pattern of currency diversification between industrial and developing countries (see Table I.2). During the period 1982–86, the industrial countries experienced greater diversification of reserve holdings than the developing countries. The industrial countries' share of U.S. dollar-denominated reserves decreased by 7 percentage points during this period, whereas the developing countries' share fell by only 1 percentage point. Since 1986, moreover, the share of the U.S. dollar in the total reserve holdings by developing countries has risen slightly, compared with a decrease of 18 percentage points for industrial countries. In addition, while industrial countries increased the share of the deutsche mark and the Japanese yen in the reserve portfolios by 9 and 7 percentage points, respectively, since 1982, developing countries decreased the share of reserves denominated in deutsche mark by 2 percentage points and increased the share of the Japanese yen by 3 percentage points.

[1] In calculating the value of the gold holdings of the EMCF in terms of ECUs, the ECU swap price is set equal to the lower of two values: the average of the prices recorded daily at the two London fixings during the previous six calendar months, and the average price at the two price fixings on the penultimate working day of the period.

[2] The quarterly swaps are arranged at the end of the first weeks of January, April, July, and October. Changes in the number of ECUs outstanding thus depend on the exchange rate and the gold price on these dates, whereas changes in the SDR value of ECU holdings are calculated at the SDR/ECU exchange rate at the end of each quarter.

Table I.2

Share of National Currencies in Total Identified Official Holdings of Foreign Exchange, End of Year 1982–91[1]
(In percent)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	Memorandum ECUs Treated Separately[2] 1991
All countries											
U.S. dollar	70.5	71.4	70.0	65.0	67.1	67.8	64.7	60.2	57.6	56.2	50.4
Pound sterling	2.3	2.5	2.9	3.0	2.5	2.4	2.7	2.7	3.4	3.8	3.6
Deutsche mark	12.3	11.8	12.6	15.2	14.6	14.4	15.6	19.0	18.6	17.3	16.5
French franc	1.0	0.8	0.8	0.9	0.8	0.8	1.0	1.4	2.3	3.6	3.4
Swiss franc	2.7	2.4	2.0	2.3	2.0	2.0	2.0	1.5	1.4	1.4	1.4
Netherlands guilder	1.1	0.8	0.7	1.0	1.1	1.2	1.1	1.1	1.1	1.2	1.1
Japanese yen	4.7	5.0	5.8	8.0	7.9	7.5	7.7	7.7	8.9	9.9	9.5
Unspecified currencies[3]	5.4	5.4	5.2	4.6	4.0	3.8	5.3	6.3	6.7	6.7	14.2
Industrial countries											
U.S. dollar	76.7	77.2	73.5	65.2	69.4	71.4	67.7	59.6	56.0	51.6	42.8
Pound sterling	0.7	0.7	1.4	1.8	1.3	1.1	1.5	1.4	1.9	2.1	1.9
Deutsche mark	12.5	13.0	15.1	19.5	16.7	15.9	17.3	22.5	21.9	21.2	19.8
French franc	0.1	0.0	0.1	0.1	0.1	0.4	0.7	1.2	2.5	4.6	4.3
Swiss franc	1.7	1.5	1.5	2.1	1.7	1.6	1.7	1.1	1.1	0.9	0.9
Netherlands guilder	0.7	0.5	0.6	1.0	1.1	1.3	1.1	1.2	1.3	1.4	1.3
Japanese yen	4.5	5.1	6.3	8.9	8.3	7.1	7.0	8.1	9.6	11.3	10.6
Unspecified currencies[3]	3.1	2.0	1.4	1.4	1.4	1.3	3.0	4.8	5.9	6.9	18.5
Developing countries											
U.S. dollar	64.0	65.2	66.3	64.8	63.3	60.0	57.7	61.6	61.0	63.8	63.8
Pound sterling	4.0	4.4	4.4	4.3	4.6	5.2	5.6	5.6	6.4	6.6	6.6
Deutsche mark	12.1	10.5	10.0	10.1	11.1	11.1	11.7	11.3	11.7	10.7	10.7
French franc	2.0	1.7	1.5	1.9	2.0	1.8	1.7	1.9	2.1	1.9	1.9
Swiss franc	3.7	3.4	2.6	2.7	2.6	2.7	2.6	2.3	2.2	2.3	2.3
Netherlands guilder	1.5	1.1	0.8	0.9	1.1	1.1	0.9	0.8	0.7	0.8	0.8
Japanese yen	4.9	4.8	5.2	7.0	7.1	8.5	9.3	6.9	7.4	7.6	7.6
Unspecified currencies[4]	7.8	9.0	9.2	8.4	8.2	9.5	10.6	9.6	8.5	6.5	6.5

[1]The SDR value of ECUs issued against dollars is added to the SDR value of dollars, but the SDR value of ECUs issued against gold is excluded from the total distributed here. Only selected countries that provide information about the currency composition of their official holdings of foreign exchange are included in this table.

[2]This column is for comparison and indicates the currency composition of reserves when holdings of ECUs are treated as a separate reserve asset, unlike the earlier columns as is explained in the preceding footnote. The share of ECUs in total foreign exchange holdings was 12.1 percent for industrial countries and 7.1 percent for all countries.

[3]The residual is equal to the difference between total identified reserves and the sum of the reserves held in the seven currencies listed in the table.

[4]The calculations here rely to a greater extent on Fund staff estimates than do those provided for the group of industrial countries.

Table I.3

Currency Composition of Official Holdings of Foreign Exchange, End of Year 1986–91[1]
(In millions of SDRs)

	1986	1987	1988	1989	1990	1991
U.S. dollar						
Change in holdings	2,820	38,654	17,418	11,118	17,127	11,997
Quantity change	21,915	70,939	4,891	5,383	37,731	14,103
Price change	–19,095	–32,285	12,527	5,735	–20,604	–2,106
Year-end value	187,334	225,988	243,406	254,524	271,651	283,648
Pound sterling						
Change in holdings	–1,385	1,219	2,359	1,197	5,013	2,934
Quantity change	–676	487	2,172	2,349	3,513	3,489
Price change	–709	732	187	–1,152	1,500	–555
Year-end value	7,580	8,799	11,158	12,356	17,369	20,303
Deutsche mark						
Change in holdings	–1,995	9,810	10,657	23,480	8,638	–3,265
Quantity change	–7,858	6,933	14,361	17,057	3,954	–1,417
Price change	5,863	2,877	–3,704	6,424	4,684	–1,848
Year-end value	43,524	53,334	63,992	87,472	96,110	92,845
French franc						
Change in holdings	–324	585	1,214	2,395	5,434	7,059
Quantity change	–454	478	1,479	1,953	5,078	6,891
Price change	130	108	–265	442	356	168
Year-end value	2,417	3,002	4,216	6,611	12,045	19,104
Swiss franc						
Change in holdings	–944	1,120	814	–1,008	412	286
Quantity change	–1,919	472	1,567	–959	–276	638
Price change	975	648	–753	–49	688	–352
Year-end value	6,086	7,206	8,019	7,011	7,423	7,709
Netherlands guilder						
Change in holdings	405	1,268	–234	778	501	625
Quantity change	10	1,015	69	437	267	679
Price change	395	253	–303	341	234	–54
Year-end value	3,294	4,562	4,328	5,106	5,607	6,231
Japanese yen						
Change in holdings	–670	4,361	3,795	4,023	10,140	7,609
Quantity change	–3,789	1,739	2,760	7,694	10,309	4,334
Price change	3,119	2,622	1,035	–3,670	–169	3,276
Year-end value	23,450	27,811	31,607	35,630	45,770	53,379
European currency unit						
Change in holdings	2,677	16,521	–5,985	364	492	–8,379
Quantity change	–372	14,049	–3,296	–1,878	–2,107	–7,068
Price change	3,049	2,472	–2,689	2,242	2,600	–1,311
Year-end value	40,720	57,241	51,257	51,621	52,113	43,734
Sum of the above[2]						
Change in holdings	585	73,538	30,039	42,348	47,756	18,867
Quantity change	6,857	96,112	24,003	32,036	58,467	21,649
Price change	–6,272	–22,574	6,035	10,312	–10,711	–2,782
Year-end value	314,407	387,945	417,984	460,331	508,087	526,954
Total official holdings[3]						
Change in holdings	15,855	91,996	38,382	50,674	48,597	22,736
Year-end value	364,128	456,124	494,506	545,180	593,777	616,513

[1]The currency composition of foreign exchange is based on the Fund's currency survey and on estimates derived mainly, but not solely, from official national reports. The numbers in this table should be regarded as estimates that are subject to adjustment as more information is received. Quantity changes are derived by multiplying the changes in official holdings of each currency from the end of one quarter to the next by the average of the two SDR prices of that currency prevailing at the corresponding dates. This procedure converts the change in the quantity of national currency from own units to SDR units of account. Subtracting the SDR value of the quantity change so derived from the quarterly change in the SDR value of foreign exchange held at the end of two successive quarters and cumulating these differences yields the effect of price changes over the years shown.

[2]Each item represents the sum of the eight currencies above.

[3]Include a residual whose currency composition could not be ascertained, as well as holdings of currencies other than those shown.

Operations and Financial Transactions of the Fund

The tables in this appendix supplement the information given in the section on the Fund in 1991/92 on the activities of the Fund during the financial year ended April 30, 1992.

Table II.1

Arrangements Approved During Financial Years Ended April 30, 1953–92

Financial Year	Number of Arrangements					Amount Committed Under Arrangements (In millions of SDRs)				
	Stand-by	EFF	SAF	ESAF	Total	Stand-by	EFF	SAF[1]	ESAF[2]	Total
1953	2				2	55.00				55.00
1954	2				2	62.50				62.50
1955	2				2	40.00				40.00
1956	2				2	47.50				47.50
1957	9				9	1,162.28				1,162.28
1958	11				11	1,043.78				1,043.78
1959	15				15	1,056.63				1,056.63
1960	14				14	363.88				363.88
1961	15				15	459.88				459.88
1962	24				24	1,633.13				1,633.13
1963	19				19	1,531.10				1,531.10
1964	19				19	2,159.85				2,159.85
1965	24				24	2,159.05				2,159.05
1966	24				24	575.35				575.35
1967	25				25	591.15				591.15
1968	32				32	2,352.36				2,352.36
1969	26				26	541.15				541.15
1970	23				23	2,381.28				2,381.28
1971	18				18	501.70				501.70
1972	13				13	313.75				313.75
1973	13				13	321.85				321.85
1974	15				15	1,394.00				1,394.00
1975	14				14	389.75				389.75
1976	18	2			20	1,188.02	284.20			1,472.22
1977	19	1			20	4,679.64	518.00			5,197.64
1978	18				18	1,285.09				1,285.09
1979	14	4			18	507.85	1,092.50			1,600.35
1980	24	4			28	2,479.36	797.35			3,276.71
1981	21	11			32	5,197.93	5,220.60			10,418.53
1982	19	5			24	3,106.21	7,907.75			11,013.96
1983	27	4			31	5,449.98	8,671.26			14,121.24
1984	25	2			27	4,287.33	94.50			4,381.83
1985	24				24	3,218.33				3,218.33
1986	18	1			19	2,123.40	825.00			2,948.40
1987	22		10		32	4,117.51		487.69		4,605.20
1988	14	1	15		30	1,701.90	245.40	1,008.63		2,955.93
1989	12	1	4	7	24	2,956.03	207.30	441.42	954.97	4,559.72
1990	16	3	3	4	26	3,249.37	7,627.10	45.22	415.23	11,336.92
1991	13	2	2	3	20	2,786.14	2,338.00	52.78	425.67	5,602.59
1992	21	2	1	5	29	5,586.81	2,493.05	3.15	636.62	8,719.63

[1]Amount committed is based on total access to SDA resources of 70 percent of quota.
[2]Includes amounts previously committed under SAF arrangements that were replaced by ESAF arrangements.

Table II.2

Arrangements in Effect in Financial Years Ended April 30, 1953–92

Financial Year	Number of Arrangements as of April 30					Amount Committed as of April 30 (In millions of SDRs)				
	Stand-by	EFF	SAF[1]	ESAF	Total	Stand-by	EFF	SAF[1]	ESAF[2]	Total
1953	2				2	55.00				55.00
1954	3				3	112.50				112.50
1955	3				3	112.50				112.50
1956	3				3	97.50				97.50
1957	9				9	1,194.78				1,194.78
1958	9				9	967.53				967.53
1959	11				11	1,013.13				1,013.13
1960	12				12	351.38				351.38
1961	12				12	416.13				416.13
1962	21				21	2,128.63				2,128.63
1963	17				17	1,520.00				1,520.00
1964	19				19	2,159.85				2,159.85
1965	23				23	2,154.35				2,154.35
1966	24				24	575.35				575.35
1967	25				25	591.15				591.15
1968	31				31	2,227.36				2,227.36
1969	25				25	538.15				538.15
1970	23				23	2,381.28				2,381.28
1971	18				18	501.70				501.70
1972	13				13	313.75				313.75
1973	12				12	281.85				281.85
1974	15				15	1,394.00				1,394.00
1975	12				12	337.25				337.25
1976	17	2			19	1,158.96	284.20			1,443.16
1977	17	3			20	4,672.92	802.20			5,475.12
1978	19	3			22	5,075.09	802.20			5,877.29
1979	15	5			20	1,032.85	1,610.50			2,643.35
1980	22	7			29	2,340.34	1,462.85			3,803.19
1981	22	15			37	5,331.03	5,464.10			10,795.13
1982	23	12			35	6,296.21	9,910.10			16,206.31
1983	30	9			39	9,464.48	15,561.00			25,025.48
1984	30	5			35	5,448.16	13,121.25			18,569.41
1985	27	3			30	3,925.33	7,750.00			11,675.33
1986	24	2			26	4,075.73	831.00			4,906.73
1987	23	1	10		34	4,313.10	750.00	327.45		5,390.55
1988	18	2	25		45	2,187.23	995.40	1,357.38		4,540.01
1989	14	2	23	7	46	3,054.05	1,032.30	1,566.25	954.97	6,607.57
1990	19	4	17	11	51	3,597.02	7,834.40	1,109.64	1,370.20	13,911.26
1991	14	5	12	14	45	2,702.58	9,596.70	539.42	1,812.95	14,651.65
1992	22	7	8	16	53	4,832.63	12,158.85	101.15	2,110.73	19,203.36

[1]Includes arrangements where the three-year commitment period has expired but the third annual arrangement remains in effect (three cases in 1991 and two cases in 1992). The committed amounts exclude these cases.
[2]Includes amounts previously committed under SAF arrangements that were replaced by ESAF arrangements.

Table II.3

Stand-By and Extended Fund Facility Arrangements in Effect During Financial Year Ended April 30, 1992
(In millions of SDRs)

		Arrangement Dates		Amounts Approved				Undrawn Balance	
				Through 4/30/91[1]		In 1991/92			
Member	Number[2]	Date of inception	Date of expiration	Total amount	Borrowed resources	Total amount	Borrowed resources	At date of termination	As at 4/30/92
Stand-by arrangements									
Algeria	2	06/03/91	03/31/92	—	—	300.00	—	75.00	—
Argentina	14	07/29/91	03/31/92[3]	—	—	780.00	—	341.25	—
Barbados	2	02/07/92	05/31/93	—	—	23.89	—	—	15.36
Brazil	12	01/29/92	08/31/93	—	—	1,500.00	977.16	—	1,372.50
Bulgaria	1	03/15/91	03/14/92	279.00	—	—	—	—	—
Bulgaria	2	04/17/92	04/16/93	—	—	155.00	124.00	—	124.00
Cameroon	2	12/20/91	09/19/92	—	—	28.00	—	—	20.00
Congo	4	08/27/90	05/26/92	27.98	—	—	—	—	23.98
Costa Rica	12	04/08/91	09/30/92[4]	33.64	—	—	—	—	8.00
Côte d'Ivoire	6	09/20/91	09/19/92	—	—	82.75	—	—	49.65
Czechoslovakia	1	01/07/91	04/03/92[5]	619.50	339.25	—	—	—	—
Czechoslovakia	2	04/03/92	04/02/93	—	—	236.00	—	—	218.00
Dominican Republic	4	08/28/91	03/27/93	—	—	39.24	—	—	39.24
Ecuador	15	12/11/91	12/10/92	—	—	75.00	—	—	56.44
Egypt	5	05/17/91	11/30/92	—	—	278.00	—	—	130.80
El Salvador	14	08/27/90	08/26/91	35.60	—	—	—	35.60	—
El Salvador	15	01/06/92	03/05/93	—	—	41.50	—	—	41.50
Gabon	4	09/30/91	03/29/93	—	—	28.00	—	—	24.00
Guyana	12	07/13/90	12/31/91[6]	49.50	26.85	—	—	—	—
Honduras	14	07/27/90	02/17/92[7]	30.50	—	—	—	—	—
India	6	10/31/91	06/30/93	—	—	1,656.00	1,104.00	—	1,386.00
Jamaica	8	03/23/90	05/31/91[8]	82.00	54.67	—	—	—	—
Jamaica	9	06/28/91	09/30/92[9]	—	—	43.65	—	—	21.85
Jordan	2	02/26/92	08/25/93	—	—	44.40	—	—	37.00
Mongolia	1	10/04/91	10/03/92	—	—	22.50	—	—	11.25
Morocco	14	01/31/92	03/31/93	—	—	91.98	—	—	73.58
Nicaragua	12	09/18/91	03/17/93	—	—	40.86	—	—	23.83
Nigeria	3	01/09/91	04/08/92	319.00	—	—	—	319.00	—
Panama	17	02/24/92	12/23/93	—	—	93.68	—	—	68.63
Papua New Guinea	1	04/25/90	06/24/91[8]	26.36	—	—	—	26.36	—
Papua New Guinea	2	07/31/91	09/30/92	—	—	26.36	—	26.36	—
Philippines	19	02/20/91	12/31/92[10]	264.20	—	—	—	—	150.95
Romania	4	04/11/91	04/10/92	380.50	—	—	—	62.40	—
Uruguay	15	12/12/90	03/15/92	94.80	—	—	—	85.80	—
Yugoslavia	12	03/16/90	09/15/91	460.00	306.67	—	—	394.30	—
				2,702.58	727.43	5,586.81	2,205.16	1,339.71	3,922.92
Extended arrangements									
Argentina	1	03/31/92	03/30/95	—	—	2,149.25	992.28	—	2,134.25
Hungary	1	02/20/91	02/19/94	1,114.00	431.07	—	—	—	556.77
Mexico	3	05/26/89	05/25/92[11]	3,263.40	2,677.17	—	—	—	233.10
Poland	1	04/18/91	04/17/94	1,224.00	459.50	—	—	—	1,147.50
Tunisia	1	07/25/88	07/24/92[12]	207.30	24.77	—	—	—	51.83
Venezuela	1	06/23/89	03/22/93[13]	3,857.10	1,937.00	—	—	—	1,851.50
Zimbabwe	1	01/24/92	01/23/95	—	—	343.80	76.40	—	272.60
Total				9,665.80	5,529.51	2,493.05	1,068.68	—	6,247.54

[1]Approved in 1990/91 unless otherwise noted.
[2]Total number of stand-by or extended arrangements approved for member since 1953.
[3]Cancelled prior to original expiration of June 30, 1992.
[4]Extended from April 7, 1992.
[5]Extended from March 6, 1992.
[6]Extended from July 12, 1991.
[7]Extended from August 15, 1991.
[8]Approved in 1989/90.
[9]Extended from June 30, 1992.
[10]Extended from August 19, 1992.
[11]Amount approved includes augmentation for interest support of SDR 466.20 million.
[12]Amount decreased to SDR 138.20 million, then extended from July 24, 1991 and amount increased to SDR 207.30 million.
[13]Amount approved includes augmentation for interest support of SDR 154.00 million. Extended from June 22 and September 22, 1992.

Table II.4

Arrangements Under the Structural Adjustment Facility Through Financial Year Ended April 30, 1992

(In millions of SDRs)

Member	Arrangement Dates		Amount Approved[1]		Amount Disbursed	Undisbursed	
	Date of approval	Date of expiration	Through 4/30/91[1]	1991/92	Through 4/30/92	At expiration/ replacement[2]	As at 4/30/92
Bangladesh	02/06/87	02/05/90	201.25	—	201.25	—	—
Benin	06/16/89	06/15/92	21.91	—	15.65	—	6.26
Bolivia	12/15/86	07/27/88	63.49	—	18.14	45.35[2]	—
Burkina Faso	03/13/91	03/12/94	22.12	—	6.32	—	15.80
Burundi	08/08/86	08/07/89	29.89	—	29.89	—	—
Central African Republic	06/01/87	05/31/90	21.28	—	21.28	—	—
Chad	10/30/87	10/29/90	21.42	—	21.42	—	—
Comoros	06/21/91	06/20/94	—	3.15	0.90	—	2.25
Dominica	11/26/86	11/25/89	2.80	—	2.80	—	—
Equatorial Guinea[3]	12/07/88	12/06/91	12.88	—	9.20	3.68	—
Gambia, The	09/17/86	11/23/88	11.97	—	8.55	3.42[2]	—
Ghana	11/06/87	11/09/88	143.15	—	40.90	102.25[2]	—
Guinea	07/29/87	07/28/90	28.95	—	28.95	11.58	—
Guinea-Bissau	10/14/87	10/13/90	3.75	—	3.75	1.50	—
Haiti	12/17/86	12/16/89	8.82	—	8.82	22.05	—
Kenya	02/01/88	05/15/89	99.40	—	28.40	71.00[2]	—
Lao People's Democratic Republic	09/18/89	09/17/92	20.51	—	14.65	—	5.86
Lesotho	06/29/88	06/28/91	10.57	—	10.57	—	—
Madagascar	08/31/87	05/15/89	46.48	—	13.28	33.20	—
Mali	08/05/88	08/04/91	25.40	—	25.40	10.16	—
Mauritania	09/22/86	05/24/89	23.73	—	16.95	6.78[2]	—
Mozambique	06/08/87	06/07/90	42.70	—	42.70	—	—
Nepal	10/14/87	10/13/90	26.11	—	26.11	—	—
Niger	11/17/86	12/12/88	23.59	—	16.85	6.74[2]	—
Pakistan[3]	12/28/88	12/27/91	382.41	—	382.41	—	—
Rwanda	04/24/91	04/23/94	30.66	—	8.76	—	21.90
Sao Tome and Principe	06/02/89	06/01/92	2.80	—	0.80	—	2.00
Senegal	11/10/86	11/21/88	59.57	—	42.55	17.02[2]	—
Sierra Leone	11/14/86	11/13/89	11.58	—	11.58	28.95	—
Somalia	06/29/87	06/28/90	8.84	—	8.84	22.10	—
Sri Lanka	03/09/88	03/08/91	156.17	—	156.17	—	—
Tanzania	10/30/87	10/29/90	74.90	—	74.90	—	—
Togo	03/16/88	05/31/89	26.88	—	7.68	19.20[2]	—
Uganda	06/15/87	04/17/89	69.72	—	49.80	19.92[2]	—
Zaïre	05/15/87	05/14/90	145.50	—	145.50	58.20	—
Total			1,881.20	3.15	1,501.72	483.10	54.07

[1]All amounts are at the 70 percent access level except those that have been reduced to account for the expiration of the commitment period: Guinea reduced SDR 11.58 million, Guinea-Bissau SDR 1.50 million, Haiti SDR 22.05 million, Mali SDR 10.16 million, Sierra Leone SDR 28.95 million, Somalia SDR 22.10 million, and Zaïre SDR 58.20 million.

[2]See Table II.5 for undisbursed amounts that were subsequently committed under an ESAF arrangement that replaced the SAF arrangement on date shown as SAF expiration date.

[3]Three-year commitment has expired, but annual arrangements are in effect for Equatorial Guinea (through 12/3/92) and Pakistan (through 12/15/92).

Table II.5

Arrangements Under the Enhanced Structural Adjustment Facility Through Financial Year Ended April 30, 1992
(In millions of SDRs)

Member	Arrangement Dates		Approved Through 4/30/91		Approved in 1991/92		Disbursements Through 4/30/92		Undisbursed as at 4/30/92
	Date of approval	Date of expiration[1]	Total amount	ESAF Trust resources	Total amount	ESAF Trust resources	Total	ESAF Trust[2]	
Bangladesh	08/10/90	08/09/93[3]	345.00	345.00	—	—	230.00	230.00	115.00
Bolivia	07/27/88	07/02/92	136.05	90.70	—	—	113.38	68.03	22.68
Burundi	11/13/91	11/12/94	—	—	42.70	42.70	4.27	4.27	38.43
Gambia, The	11/23/88	11/22/91	20.52	17.10	—	—	20.52	17.10	—
Ghana	11/09/88	03/05/92[4]	388.55	286.30	—	—	388.55	286.30	—
Guinea	11/06/91	11/05/94	—	—	57.90	57.90	8.69	8.69	49.22
Guyana	07/13/90	07/12/93	81.52	47.08	—	—	54.96	37.74	26.57
Kenya	05/15/89	03/31/93[5]	261.40	190.40	—	—	216.17	145.17	45.23
Lesotho	05/22/91	05/21/94	—	—	18.12	18.12	4.53	4.53	13.59
Madagascar	05/15/89	05/14/92	76.90	43.70	—	—	51.27	18.07	25.63
Malawi	07/15/88	09/29/92[6]	66.96	40.92	—	—	61.38	35.34	5.58
Mauritania	05/24/89	05/23/92	50.85	44.07	—	—	16.95	13.56	33.90
Mozambique	06/01/90	05/31/93	85.40	85.40	—	—	39.65	39.65	45.75
Niger	12/12/88	12/11/91[7]	23.59	16.85	—	—	23.59	16.85	—
Senegal	11/21/88	06/02/92	144.67	127.65	—	—	144.67	127.65	—
Sri Lanka	09/13/91	09/12/94	—	—	336.00	336.00	56.00	56.00	280.00
Tanzania	07/29/91	07/28/94	—	—	181.90	181.90	21.40	21.40	160.50
Togo	05/31/89	05/30/92	46.08	26.88	—	—	30.72	11.52	15.36
Uganda	04/17/89	11/07/92	179.28	159.36	—	—	159.36	139.44	19.92
Total			1,906.77	1,521.41	636.62	636.62	1,646.04	1,281.29	897.35

[1] Expiration date of three-year arrangement, or of third annual arrangement, if applicable.
[2] Financed with drawings under the following ESAF borrowing agreements: Export-Import Bank of Japan (SDR 459.8 million); Caisse Centrale de Coopération Economique—France (SDR 267.3 million); Bank of Spain (SDR 62.4 million); Canada (SDR 47.7 million); Bank of Norway (SDR 11.2 million); Korea (SDR 12.9 million); Ufficio Italiano dei Cambi (SDR 64.1 million), and Kreditanstalt fur Wiederaufbau—Germany (SDR 197.0 million). Drawings were also made under the associated loan agreement with the Saudi Fund for Development (SDR 17.5 million). The balance of SDR 141.4 million was financed using resources available under the borrowing agreement with the Swiss Confederation.
[3] Three-year commitment amount increased from SDR 258.75 million.
[4] Three-year commitment amount increased from SDR 368.10 million.
[5] Three-year commitment amount increased from SDR 241.40 million.
[6] Expiration date is for fourth annual arrangement. Three-year commitment amount increased from SDR 55.80 million.
[7] Decreased from SDR 50.55 million to SDR 47.18 million. At expiration there was an undrawn balance of SDR 23.59 million.

Table II.6

Summary of Disbursements, Repurchases, and Repayments, Financial Years Ended April 30, 1948–92
(In millions of SDRs)

Financial Year	Disbursements: Purchases[1]	Trust Fund loans	SAF loans	ESAF loans[2]	Total	Repurchases and Repayments: Repurchases[3]	Trust Fund repayments	SAF repayments	Total	Total Fund Credit Outstanding
1948	606.04				606.04					133.90
1949	119.44				119.44					192.70
1950	51.80				51.80	24.21			24.21	204.10
1951	28.00				28.00	19.09			19.09	175.80
1952	46.25				46.25	36.58			36.58	213.50
1953	66.12				66.12	184.96			184.96	178.20
1954	231.29				231.29	145.11			145.11	132.10
1955	48.75				48.75	276.28			276.28	54.90
1956	38.75				38.75	271.66			271.66	72.00
1957	1,114.05				1,114.05	75.04			75.04	610.60
1958	665.73				665.73	86.81			86.81	1,026.50
1959	263.52				263.52	537.32			537.32	897.60
1960	165.53				165.53	522.41			522.41	329.60
1961	577.00				577.00	658.60			658.60	551.50
1962	2,243.20				2,243.20	1,260.00			1,260.00	1,022.80
1963	579.97				579.97	807.25			807.25	1,058.90
1964	625.90				625.90	380.41			380.41	951.80
1965	1,897.44				1,897.44	516.97			516.97	1,480.10
1966	2,817.29				2,817.29	406.00			406.00	3,039.00
1967	1,061.28				1,061.28	340.12			340.12	2,945.30
1968	1,348.25				1,348.25	1,115.51			1,115.51	2,462.50
1969	2,838.85				2,838.85	1,542.33			1,542.33	3,299.00
1970	2,995.65				2,995.65	1,670.69			1,670.69	4,020.20
1971	1,167.41				1,167.41	1,656.86			1,656.86	2,556.30
1972	2,028.49				2,028.49	3,122.33			3,122.33	840.20
1973	1,175.43				1,175.43	540.30			540.30	998.20
1974	1,057.72				1,057.72	672.49			672.49	1,084.70
1975	5,102.45				5,102.45	518.08			518.08	4,869.20
1976	6,591.42				6,591.42	960.10			960.10	9,759.80
1977	4,910.33	31.61			4,941.94	868.19			868.19	13,686.91
1978	2,503.01	268.24			2,771.25	4,485.01			4,485.01	12,366.05
1979	3,719.58	670.05			4,389.63	4,859.18			4,859.18	9,843.30
1980	2,433.26	961.54			3,394.80	3,775.83			3,775.83	9,967.44
1981	4,860.01	1,059.87			5,919.88	2,852.93			2,852.93	12,536.13
1982	8,040.62				8,040.62	2,009.88			2,009.88	17,792.93
1983	11,391.89				11,391.89	1,555.12	18.45		1,573.57	26,562.76
1984	11,517.73				11,517.73	2,017.65	110.97		2,128.62	34,603.47
1985	6,288.87				6,288.87	2,730.39	212.34		2,942.73	37,622.18
1986	4,101.22				4,101.22	4,289.01	412.71		4,701.72	36,877.03
1987	3,684.56		139.34		3,823.90	6,169.32	579.32		6,748.64	33,443.29
1988	4,152.56		444.87		4,597.43	7,934.57	528.15		8,462.72	29,542.99
1989	2,541.18		290.14	264.00	3,095.32	6,257.74	447.23		6,704.97	25,520.37
1990	4,502.68		418.59	407.67	5,328.94	6,042.09	355.52		6,397.61	24,388.23
1991	6,955.43		83.71	491.13	7,530.27	5,440.22	167.80		5,608.02	25,603.03
1992	5,308.11		125.07	483.24	5,916.42	4,768.02	0.09	1.87	4,769.98	26,735.92

[1]Includes reserve tranche purchases.
[2]Includes SDR 364.75 million of SAF resources disbursed under ESAF arrangements.
[3]Excludes sales of currency and adjustments that have the effect of repurchases.

Table II.7

Purchases from the Fund, Financial Year Ended April 30, 1992

(In millions of SDRs)

		Stand-By Arrangements			Extended Arrangements			Compensatory Financing			Financed by		
		Resources			Resources						Ordinary/substituted resources		Borrowed resources
Member	Reserve Tranche	Ordinary	Substituted	Borrowed	Ordinary	Substituted	Borrowed	Oil import element	Export shortfall	Total Purchases[1]	Currencies	SDRs	Currencies
Albania	5.68	—	—	—	—	—	—	—	—	5.68	—	5.68	—
Algeria	—	225.00	—	—	—	—	—	—	—	225.00	150.00	75.00	—
Argentina	—	438.75	—	—	15.00	—	—	—	—	453.75	261.75	192.00	—
Barbados	2.18	8.53	—	—	—	—	—	—	22.17	32.88	2.18	30.70	—
Brazil	—	65.34	62.16	—	—	—	—	—	—	127.50	69.50	58.00	—
Bulgaria	—	211.83	20.67	—	—	—	—	56.90[2]	—	289.40	59.00	230.40	—
Cameroon	—	8.00	—	—	—	—	—	—	—	8.00	4.50	3.50	—
Costa Rica	—	4.00	—	—	—	—	—	—	—	4.00	2.00	2.00	—
Côte d'Ivoire	—	33.10	—	—	—	—	—	—	—	33.10	33.10	—	—
Czechoslovakia	—	150.75	66.38	199.13	—	—	—	186.53	—	602.78	216.37	187.28	199.13
Dominican Republic	—	—	—	—	—	—	—	38.32	6.52	44.84	44.84	—	—
Ecuador	—	18.56	—	—	—	—	—	—	—	18.56	6.20	12.36	—
Egypt	—	147.20	—	—	—	—	—	—	—	147.20	98.00	49.20	—
Gabon	—	4.00	—	—	—	—	—	—	—	4.00	4.00	—	—
Guyana	—	2.18	2.17	2.19	—	—	—	—	—	6.54	3.26	1.09	2.19
Honduras	—	9.25	—	—	—	—	—	—	44.07	53.32	9.25	44.07	—
Hungary	—	—	—	—	398.03	—	—	38.80	—	436.83	207.11	229.72	—
India	—	90.00	123.33	56.67	—	—	—	41.60	593.48	905.08	451.23	397.18	56.67
Israel	—	—	—	—	—	—	—	—	178.64	178.64	140.40	38.24	—
Jamaica	—	28.60	—	13.60	—	—	—	5.20	10.10	57.50	28.60	15.30	13.60
Jordan	—	7.40	—	—	—	—	—	—	—	7.40	7.40	—	—
Mexico	—	—	—	—	—	233.10	466.20	—	—	699.30	173.00	60.10	466.20
Mongolia	5.68	11.25	—	—	—	—	—	—	—	16.93	11.25	5.68	—
Morocco	—	18.40	—	—	—	—	—	—	—	18.40	15.90	2.50	—
Nicaragua	—	17.03	—	—	—	—	—	—	—	17.03	17.03	—	—
Pakistan	—	—	—	—	—	—	—	122.40	—	122.40	21.00	101.40	—
Panama	—	25.05	—	—	—	—	—	35.10	1.60	61.75	61.75	—	—
Philippines	—	84.94	—	—	—	—	—	—	—	84.94	78.31	6.63	—
Romania	—	187.20	—	—	—	—	—	—	—	187.20	87.40	99.80	—
Tunisia	—	—	—	—	155.48	—	—	—	—	155.48	127.30	28.18	—
Venezuela	—	—	—	—	146.00	33.71	51.79	—	—	231.50	179.71	—	51.79
Zimbabwe	—	—	—	—	71.20	—	—	—	—	71.20	71.20	—	—
Total	13.53	1,796.36	274.70	271.58	785.70	266.81	517.99	524.85	856.58	5,308.11	2,642.54	1,875.99	789.57

[1]Includes reserve tranche purchases of SDR 13.53 million. Purchases excluding reserve tranche total SDR 5,294.58 million (see Table 3).
[2]Contingency financing.

Table II.8

Repurchases from the Fund, Financial Year Ended April 30, 1992

(In millions of SDRs)

	Ordinary Resources			Borrowed Resources		
Member	Stand-by/ credit tranche	Extended Fund facility	Compensatory financing	Supplementary financing facility	Enlarged access resources	Total
Argentina	117.53	—	375.96	—	250.56	744.05
Bangladesh	50.98	2.21	44.45	—	—	97.64
Barbados	—	—	—	—	0.24	0.24
Belize	0.15	—	—	—	—	0.15
Bolivia	7.33	—	28.23	—	—	35.56
Brazil	91.33	228.59	—	—	93.53	413.45
Bulgaria	—	—	60.60[1]	—	—	60.60
Cameroon	5.79	—	11.59	—	—	17.38
Central African Republic	1.09	—	—	—	0.94	2.03
Chile	—	37.85	—	—	109.58	147.43
China	224.15	—	—	—	—	224.15
Congo	2.38	—	—	—	—	2.38
Costa Rica	—	0.94	—	—	4.88	5.81
Côte d'Ivoire	4.99	19.24	41.38	—	12.44	78.05
Czechoslovakia	—	—	35.00[1]	—	—	35.00
Dominica	—	0.56	—	—	—	0.56
Dominican Republic	—	11.53	—	—	—	11.53
Ecuador	23.25	—	31.28	—	20.05	74.57
Egypt	58.00	—	—	—	—	58.00
Gabon	13.40	—	—	—	7.77	21.17
Gambia, The	2.31	—	1.18	—	—	3.49
Ghana	—	—	—	—	51.53	51.53
Guatemala	5.79	—	5.40	—	—	11.19
Guinea	4.50	—	—	—	—	4.50
Guyana	—	0.67	—	—	—	0.67
Haiti	—	—	—	—	0.88	0.88
Honduras	—	0.66	—	—	—	0.66
Hungary	24.51	—	90.10[1]	—	24.79	139.40
India	—	325.00	—	—	—	325.00
Indonesia	—	—	231.45	—	—	231.45
Jamaica	14.68	5.82	20.45	—	19.26	60.22
Kenya	19.56	—	10.00	—	16.42	45.98
Madagascar	5.37	—	2.01	—	12.51	19.90
Malawi	4.63	3.09	—	—	7.89	15.60
Mali	1.08	—	—	—	5.50	6.58
Mauritania	8.71	—	—	—	—	8.71
Mauritius	—	—	—	—	4.31[2]	4.31
Mexico	163.28	187.25	—	—	398.47	749.00
Morocco	43.33	2.84	—	—	70.42	116.59
Nepal	3.68	—	—	—	—	3.68
Niger	1.37	—	—	—	5.97	7.34
Pakistan	17.76	66.45	—	—	—	84.20
Panama	39.30	—	21.36	8.81	91.66	161.13
Peru	—	35.18	1.82	—	—	37.00
Philippines	27.67	—	56.03	—	77.33	161.03
Senegal	14.93	—	—	—	19.45	34.38
Sierra Leone	2.00	2.05	—	—	1.20	5.25
Solomon Islands	0.31	—	—	—	—	0.31
Sri Lanka	—	18.80	54.40	—	—	73.20
Tanzania	15.27	—	—	—	—	15.27
Togo	1.78	—	—	—	4.37	6.15
Trinidad and Tobago	5.31	—	10.63	—	—	15.94
Tunisia	41.13	—	43.02	—	—	84.14
Uganda	—	—	24.90	—	—	24.90
Uruguay	10.24	—	—	—	16.82	27.05

Table II.8 (*concluded*)

Repurchases from the Fund, Financial Year Ended April 30, 1992
(In millions of SDRs)

Member	Ordinary Resources: Stand-by/ credit tranche	Ordinary Resources: Extended Fund facility	Ordinary Resources: Compensatory financing	Borrowed Resources: Supplementary financing facility	Borrowed Resources: Enlarged access resources	Total
Venezuela	—	77.15[3]	—	—	—	77.15
Western Samoa	—	—	—	—	0.37	0.37
Yugoslavia	42.47	—	—	—	71.88	114.34
Zaïre	1.23	—	0.08	—	6.27	7.58
Zambia	—	—	—	—	2.19	2.19
Total	1,122.57	1,025.88	1,201.30	8.81	1,409.47	4,768.02

[1] Early repurchase in respect of overcompensation of CCFF purchase.
[2] Early repurchase.
[3] Early repurchase in respect of advance purchase of set-aside.

Table II.9

Outstanding Fund Credit by Facility and Policy, April 30, 1986–92
(In millions of SDRs)

	Financial Year Ended April 30													
	1986		1987		1988		1989		1990		1991		1992	
	Amount	As percent of total	Amount	As percent of total	Amount	As percent of total	Amount	As percent of total	Amount	As percent of total	Amount	As percent of total	Amount	As percent of total
Stand-by arrangements[1]														
Ordinary resources	6,315	17.1	6,575	19.7	5,732	19.4	5,964	23.4	5,119	21.0	5,196	20.3	5,870	22.0
Substituted resources													275	1.0
Supplementary financing	3,030	8.2	2,061	6.2	1,064	3.6	527	2.1	226	0.9	151	0.6	142	0.5
Enlarged access policy	6,021	16.3	6,380	19.1	6,500	22.0	5,458	21.4	4,648	19.1	3,976	15.5	3,183	11.9
Extended Fund facility arrangements														
Ordinary resources	6,498	17.6	6,242	18.7	5,762	19.5	5,055	19.8	5,472	22.4	5,823	22.7	5,583	20.9
Substituted resources													267	1.0
Supplementary financing	2,246	6.1	1,708	5.1	1,097	3.7	599	2.3	249	1.0	117	0.5	117	0.4
Enlarged access policy	4,026	10.9	3,867	11.6	3,329	11.3	2,409	9.4	2,561	10.5	2,500	9.8	2,674	10.0
Compensatory and contingency financing	6,430	17.4	4,779	14.3	4,342	14.7	3,689	14.5	3,823	15.7	5,142	20.1	5,322	19.9
Buffer stock financing	73	0.2	34	0.1	3	—	—	—	—	—	—	—	—	—
Subtotal (General Resources Account)	34,640	93.9	31,646	94.6	27,829	94.2	23,700	92.9	22,098	90.6	22,906	89.5	23,432	87.6
SAF arrangements	—	—	139	0.4	584	2.0	874	3.4	1,293	5.3	1,377	5.4	1,500	5.6
ESAF arrangements	—	—	—	—	—	—	264	1.0	672	2.8	1,163	4.5	1,646	6.2
Trust Fund	2,237	6.1	1,658	5.0	1,129	3.8	682	2.7	326	1.3	158	0.6	158	0.6
Total	36,877	100.0	33,443	100.0	29,543	100.0	25,520	100.0	24,388	100.0	25,603	100.0	26,736	100.0

[1] Includes outstanding first credit tranche and emergency purchases.

Table II.10

Borrowed Resources and Repayments to Lenders (Excluding the GAB and ESAF), May 29, 1980–April 30, 1992
(In millions of SDRs)

	Total Amount of Agreement (1)	Amount Borrowed (2)	As Percent of Total (3)	Repayments (4)	Outstanding Balance (2)–(4) (5)	Balance Available (6)
Enlarged access resources						
Medium-term						
Saudi Arabian Monetary Agency (SAMA)	8,000	8,000	100	7,275	725	—
Short-term						
Concluded in 1981[1]	1,275	1,275	100	1,275	—	—
Concluded in 1984	6,000	4,200	70	4,200	—	—
Of which						
BIS, Japan, and BNB	3,000	3,000	100	3,000	—	—
SAMA	3,000	1,200	40	1,200	—	—
Subtotal	15,275	13,475	88	12,750	725	—
Borrowing agreement with Japan	3,000	3,000	100	15	2,985	—
Supplementary financing facility	7,784	7,232	93	7,232	—	—
Total	26,059	23,707	91	19,997	3,710	—

[1]Composed of agreements with the Bank for International Settlements (BIS) (SDR 675 million), National Bank of Belgium (SDR 50 million), Swiss National Bank, Bank of England, and Japan (SDR 150 million each), Reserve Bank of Australia (SDR 50 million), Bank of Finland (SDR 30 million), and Central Bank of Ireland (SDR 20 million). Another agreement for SDR 30 million was not drawn upon before it expired in view of lender's weak balance of payments and reserve position.

Table II.11

Enhanced Structural Adjustment Facility—Contributions as of April 30, 1992[1]

(In millions of SDRs)

Contributor	Subsidies (Grant or grant equivalent)[2]	Loans[3]
Austria	(46)	—
Belgium	(91)	—
Canada	(170)	300
Denmark	47	—
Finland	39	—
France	(396)	800
Germany	137	700
Greece	(27)	—
Iceland	2	—
Italy	(209)	370
Japan	366	2,200[4]
Korea	(49)	65
Luxembourg	5	—
Malaysia	(37)	—
Malta	1	—
Netherlands	68	—
Norway	27	90
Saudi Arabia	(116)	200
Singapore	(26)	—
Spain	(23)	260
Sweden	123	—
Switzerland	(124)	200
United Kingdom	420	—
United States	109	—
Other[5]	(40)	129
Total[6]	2,666	5,314[4]

[1]Some of the contributions listed are subject to parliamentary approval or completion of other internal procedures.

[2]The subsidy contributions listed take a variety of forms, including grants and the grant element of resources provided for the benefit of the ESAF at concessional rates of interest. Figures indicated are partly staff estimates taking into account information on the likely timing of subsidy contributions in relation to projected operational needs and estimated investment earnings on balances held by or for the benefit of the Subsidy Account. Amounts in parentheses represent estimates of the subsidy value of contributions at concessional interest rates or in the form of grants sufficient to reduce the effective interest rate on accompanying loans to 0.5 percent or less; in general, the calculated subsidy value of these contributions will rise or fall with increases or decreases in interest rates over time. The other amounts listed are based on specific grant amounts indicated by contributors. Contributions expressed in local currency are valued at April 30, 1992 exchange rates.

[3]Loan contributions are provided either at concessional interest rates or on the basis of weighted averages of market interest rates in the five currencies comprising the SDR basket. The interest rate basis for one market-related loan is somewhat higher than for other loans.

[4]Additional loan amounts of up to SDR 0.3 billion could be provided by Japan, subject to the availability of further contributions to the Subsidy Account to subsidize those amounts down to 0.5 percent, and to the extent that total loan contributions do not thereby exceed SDR 6 billion. With the possibility of this additional loan amount, the total of loan contributions could rise up to SDR 5.6 billion.

[5]Includes contributions that have not been announced publicly or have been advised but on which discussions are continuing.

[6]Totals may not add up due to rounding. In addition, the sum of individual contributions has been adjusted downward to take into account estimated additional costs.

Table II.12

Summary of Transactions and Operations in SDRs, Financial Year Ended April 30, 1992

(In thousands of SDRs)

Holders	Total Holdings April 30, 1991	Receipts from Participants and Prescribed Holders: Designated	Receipts from Participants and Prescribed Holders: Other	Transfers to Participants and Prescribed Holders: Designated	Transfers to Participants and Prescribed Holders: Other	Receipts from the General Resources Account	Transfers to the General Resources Account	Interest, Charges, and Assessment (Net)	Positions as at April 30, 1992: Holdings	Positions as at April 30, 1992: Net cumulative allocations	Positions as at April 30, 1992: Holdings as percent of cumulative allocations
PARTICIPANTS											
Afghanistan	5,876	—	—	—	—	—	—	−1,606	4,270	26,703	16.0
Albania	—	—	5,675	—	5,675	5,675	5,675	—	—	—	—
Algeria	3,458	—	116,761	—	155,697	91,556	46,184	−9,407	487	128,640	0.4
Angola	83	—	—	—	—	—	—	+6	89	—	—
Antigua and Barbuda	3	—	—	—	—	—	—	—	3	—	—
Argentina	133,215	—	—	—	—	199,747	159,161	−15,939	157,862	318,370	49.6
Australia	213,521	—	—	—	—	5,012	—	−19,698	198,835	470,545	42.3
Austria	185,416	—	20,000	—	25,080	12,929	—	+1,897	195,162	179,045	109.0
Bahamas, The	199	—	716	—	—	146	—	−754	307	10,230	3.0
Bahrain	17,120	—	—	—	—	94	—	+842	18,056	6,200	291.2
Bangladesh	21,334	—	110,000	—	1,611	1,317	108,463	−481	22,096	47,120	46.9
Barbados	173	—	630	—	30,700	31,564	223	−584	860	8,039	10.7
Belgium	418,360	—	42,500	—	66,813	13,053	—	−5,628	401,472	485,246	82.7
Belize	23	—	—	—	—	70	5	+4	92	—	—
Benin	260	—	650	—	—	—	—	−698	212	9,409	2.3
Bhutan	267	—	—	—	—	23	—	+21	311	—	—
Bolivia	968	—	27,620	—	22,675	2,366	4,618	−1,955	1,706	26,703	6.4
Botswana	22,367	—	—	—	—	844	—	+1,409	24,620	4,359	564.8
Brazil	15,011	—	93,600	—	58,000	72,665	93,803	−26,257	3,216	358,670	0.9
Bulgaria	194	—	5,218	—	151,800	231,246	76,869	+211	8,200	—	—
Burkina Faso	5,634	—	—	—	—	251	—	−285	5,600	9,409	59.5
Burundi	308	—	4,670	—	2,560	166	—	−987	1,597	13,697	11.7
Cambodia	—	—	—	—	—	—	—	—	—	15,417	—
Cameroon	421	—	22,140	—	—	4,016	24,450	−1,757	370	24,463	1.5
Canada	1,080,588	—	—	—	—	9,325	—	+23,289	1,113,202	779,290	142.8
Cape Verde	22	—	50	—	—	—	—	−44	28	620	4.5
Central African Republic	2,069	—	1,020	—	54	14	2,283	−596	170	9,325	1.8
Chad	45	—	880	—	—	3	—	−700	228	9,409	2.4
Chile	1,867	—	55,960	—	—	14,567	61,754	−8,953	1,687	121,924	1.4
China	394,529	—	149,431	—	—	12,468	159,789	+12,145	408,784	236,800	172.6
Colombia	114,208	—	—	—	—	—	—	−26	114,182	114,271	99.9
Comoros	61	—	50	—	2	—	—	−51	58	716	8.1
Congo	24	—	2,570	—	—	40	1,662	−710	262	9,719	2.7
Costa Rica	563	—	6,965	—	2,000	2,246	4,172	−1,732	1,870	23,726	7.9
Côte d'Ivoire	5,194	—	24,510	—	—	1,137	22,882	−2,677	5,282	37,828	14.0
Cyprus	316	—	650	—	—	703	—	−1,450	219	19,438	1.1
Czechoslovakia	46,264	—	—	—	65,750	189,305	95,864	+6,046	80,001	—	—
Denmark	200,503	—	—	—	57,236	11,790	—	+971	156,028	178,864	87.2
Djibouti	216	—	—	—	—	33	—	−73	176	1,178	14.9
Dominica	172	—	620	—	7	7	624	−40	128	592	21.6
Dominican Republic	—	—	1,670	—	—	5,263	3,974	−2,370	589	31,585	1.9
Ecuador	765	—	81,600	—	—	13,107	86,550	−1,967	6,955	32,929	21.1
Egypt	4,610	—	73,036	—	58,836	50,724	9,544	−9,989	50,001	135,924	36.8

Table II.12 (*continued*)

Summary of Transactions and Operations in SDRs, Financial Year Ended April 30, 1992
(In thousands of SDRs)

Holders	Total Holdings April 30, 1991	Receipts from Participants and Prescribed Holders: Designated	Receipts from Participants and Prescribed Holders: Other	Transfers to Participants and Prescribed Holders: Designated	Transfers to Participants and Prescribed Holders: Other	Receipts from the General Resources Account	Transfers to the General Resources Account	Interest, Charges, and Assessment (Net)	Positions as at April 30, 1992: Holdings	Positions as at April 30, 1992: Net cumulative allocations	Positions as at April 30, 1992: Holdings as percent of cumulative allocations
El Salvador	—	—	—	—	—	2,394	104	−1,877	413	24,985	1.7
Equatorial Guinea	21	—	5,870	—	—	4	—	−370	5,525	5,812	95.1
Ethiopia	318	—	700	—	—	47	19	−825	221	11,160	2.0
Fiji	16,769	—	—	—	8,000	232	—	+351	9,352	6,958	134.4
Finland	173,504	—	75,180	—	64,897	9,011	—	+1,526	194,324	142,690	136.2
France	938,952	—	15,000	—	61,700	47,240	—	−10,796	928,696	1,079,870	86.0
Gabon	192	—	29,565	—	—	239	28,841	−966	189	14,091	1.3
Gambia, The	577	—	4,200	—	477	37	3,745	−320	272	5,121	5.3
Germany	1,328,015	—	—	—	116,844	129,420	—	+9,747	1,350,338	1,210,760	111.5
Ghana	59,730	—	19,967	—	1,858	408	67,264	−2,620	8,363	62,983	13.3
Greece	1,322	—	5,100	—	—	2,563	—	−7,749	1,236	103,544	1.2
Grenada	—	—	—	—	—	69	—	−70	−1	930	−0.1
Guatemala	555	—	—	—	—	5,680	3,713	−2,074	448	27,678	1.6
Guinea	997	—	12,551	—	151	54	4,007	−917	8,527	17,604	48.4
Guinea-Bissau	26	—	24	—	—	63	—	−91	22	1,212	1.8
Guyana	691	—	4,834	—	1,316	1,931	4,298	−1,064	778	14,530	5.4
Haiti	—	—	—	—	22	1,250	662	−566	—	13,697	—
Honduras	375	—	840	—	43,850	47,281	2,179	−1,425	1,042	19,057	5.5
Hungary	11,527	—	48,145	—	229,720	232,457	61,740	+171	840	—	—
Iceland	69	—	1,520	—	—	—	—	−1,222	367	16,409	2.2
India	134,122	—	205,182	—	76,180	405,711	507,487	−44,951	116,397	681,170	17.1
Indonesia	11,426	—	26,500	—	—	2,633	17,019	−17,681	5,859	238,956	2.5
Iran, Islamic Republic of	311,854	—	—	—	275,000	—	—	+3,698	40,552	244,056	16.6
Iraq	—	—	—	—	—	—	—	—	—	68,464	—
Ireland	161,248	—	—	—	—	5,661	—	+5,833	172,742	87,263	198.0
Israel	2,380	—	9,000	—	37,640	38,240	893	−7,952	3,135	106,360	2.9
Italy	713,115	—	7,800	—	159,393	76,912	—	−368	638,066	702,400	90.8
Jamaica	875	—	3,150	—	16,700	43,237	23,535	−3,031	3,996	40,613	9.8
Japan	1,833,780	—	378,810	—	614,225	134,965	—	+72,109	1,805,439	891,690	202.5
Jordan	809	—	14,500	—	5,332	413	5,597	−1,196	3,597	16,887	21.3
Kenya	705	—	58,208	—	593	665	55,526	−2,617	842	36,990	2.3
Kiribati	5	—	—	—	—	—	—	—	5	—	—
Korea	12,528	—	—	—	—	15,081	—	−4,222	23,387	72,911	32.1
Kuwait	117,783	—	—	—	—	6,466	—	+7,184	131,433	26,744	491.4
Lao People's Democratic Republic	911	—	—	—	61	—	—	−671	179	9,409	1.9
Lebanon	7,279	—	—	—	—	1,052	—	+251	8,582	4,393	195.3
Lesotho	389	—	500	—	—	3	—	−258	634	3,739	17.0
Liberia	—	—	—	—	—	—	—	—	—	21,007	—
Libya	296,784	—	—	—	—	15,068	—	+18,725	330,577	58,771	562.5
Luxembourg	20,053	—	—	—	—	460	—	+248	20,761	16,955	122.4
Madagascar	659	—	3,730	—	—	315	2,894	−1,422	388	19,270	2.0
Malawi	782	—	5,900	—	—	118	4,276	−763	1,761	10,975	16.0

Malaysia	138,339	—	—	—	—	8,555	—	+167	147,061	139,048	105.8
Maldives	14	—	25	—	—	—	—	-20	19	282	6.7
Mali	907	—	2,250	—	—	285	1,679	-1,152	611	15,912	3.8
Malta	60,469	—	7	—	—	1,048	—	+3,810	65,334	11,288	578.8
Mauritania	766	—	1,794	—	1,063	160	800	-698	159	9,719	1.6
Mauritius	19,992	—	6,763	—	—	22	4,614	+84	22,247	15,744	141.3
Mexico	520,054	—	1,004,994	—	—	73,733	1,135,018	+6,837	470,600	290,020	162.3
Mongolia	—	—	5,693	—	5,675	6,074	6,064	+1	29	—	—
Morocco	25,836	—	129,171	—	12,874	3,664	38,967	-2,872	103,958	85,689	121.3
Mozambique	25	—	—	—	—	—	—	+2	27	—	—
Myanmar	1,590	—	2,500	—	—	—	—	-3,221	869	43,474	2.0
Namibia	—	—	—	—	—	9	—	+1	10	—	—
Nepal	344	—	400	—	—	209	228	-593	132	8,105	1.6
Netherlands	537,922	—	115,000	—	114,622	24,895	—	-58	563,137	530,340	106.2
New Zealand	3,226	—	8,000	—	—	261	—	-10,557	930	141,322	0.7
Nicaragua	408	—	345	—	—	2,119	667	-1,453	752	19,483	3.9
Niger	474	—	1,750	—	202	358	1,264	-668	448	9,409	4.8
Nigeria	3,477	—	5,730	—	—	5,718	198	-11,764	2,963	157,155	1.9
Norway	321,364	—	75,330	—	73,518	21,770	—	+12,113	357,059	167,770	212.8
Oman	13,950	—	—	—	—	1,427	—	+632	16,009	6,262	255.7
Pakistan	10,166	—	35,001	—	101,400	103,350	24,079	-12,413	10,625	169,989	6.3
Panama	7,504	—	47,176	—	—	45,744	97,087	-1,467	1,870	26,322	7.1
Papua New Guinea	180	—	3,830	—	—	1,293	3,556	-687	1,060	9,300	11.4
Paraguay	55,967	—	—	—	—	398	—	+3,259	59,624	13,697	435.3
Peru	—	—	7,732	—	—	46,428	45,733	-6,845	1,582	91,319	1.7
Philippines	15,193	—	48,107	—	—	24,146	75,315	-8,473	3,658	116,595	3.1
Poland	209	—	48,662	—	—	2,056	46,526	+214	4,615	—	—
Portugal	61,635	—	—	—	—	8,606	—	+487	70,728	53,320	132.6
Qatar	31,973	—	—	—	—	848	—	+1,494	34,315	12,822	267.6
Romania	4,014	—	12,050	—	79,094	100,833	33,157	-4,549	97	75,950	0.1
Rwanda	7,032	—	—	—	—	108	—	-512	6,628	13,697	48.4
St. Lucia	1,245	—	—	—	—	—	—	+39	1,284	742	173.1
St. Vincent	16	—	20	—	—	—	—	-26	10	354	2.8
Sao Tome and Principe	24	—	30	—	4	14	—	-46	18	620	2.9
Saudi Arabia	104,567	—	—	—	628,010	597,715	—	-5,152	69,120	195,527	35.4
Senegal	1,690	—	7,000	—	787	192	5,083	-1,772	1,240	24,462	5.1
Seychelles	21	—	40	—	—	—	—	-29	32	406	7.9
Sierra Leone	—	—	—	—	—	4,240	152	-4,088	—	17,455	—
Singapore	84,040	—	600	—	10,000	3,493	—	+5,012	83,145	16,475	504.7
Solomon Islands	71	—	350	—	—	12	328	-41	64	654	9.8
Somalia	—	—	—	—	—	—	—	—	—	13,697	—
South Africa	5,779	—	15,200	—	—	—	—	-16,414	4,565	220,360	2.1
Spain	478,869	—	—	—	200,540	41,990	—	+8,280	328,599	298,805	110.0
Sri Lanka	407	—	12,096	—	388	2,090	8,529	-5,248	428	70,868	0.6
Sudan	—	—	—	—	—	532	—	-532	—	52,192	—
Suriname	2	—	—	—	—	586	—	-585	3	7,750	—
Swaziland	8,525	—	—	—	—	—	—	+160	8,685	6,432	135.0
Sweden	273,079	—	153,931	—	181,207	12,317	—	+2,254	260,374	246,525	105.6
Syrian Arab Republic	—	—	6,183	—	4,786	1,446	—	-2,755	88	36,564	0.2
Tanzania	621	—	28	—	—	3,220	940	-2,351	578	31,372	1.8
Thailand	6,860	—	402	—	1	4,521	—	-5,881	5,901	84,652	7.0
Togo	870	—	2,250	—	—	39	1,693	-780	686	10,975	6.3
Tonga	685	—	—	—	—	30	—	+45	760	—	—
Trinidad and Tobago	1,940	—	38,500	—	—	1,167	37,351	-3,275	981	46,231	2.1
Tunisia	2,849	—	132,785	—	50,000	29,601	98,485	-718	16,032	34,243	46.8

Table II.12 (*concluded*)

Summary of Transactions and Operations in SDRs, Financial Year Ended April 30, 1992
(In thousands of SDRs)

Holders	Total Holdings April 30, 1991	Receipts from Participants and Prescribed Holders: Designated	Receipts from Participants and Prescribed Holders: Other	Transfers to Participants and Prescribed Holders: Designated	Transfers to Participants and Prescribed Holders: Other	Receipts from the General Resources Account	Transfers to the General Resources Account	Interest, Charges, and Assess-ment (Net)	Positions as at April 30, 1992: Holdings	Positions as at April 30, 1992: Net cumulative allocations	Positions as at April 30, 1992: Holdings as percent of cumulative allocations
Turkey	2,798	—	4,402	—	—	1,398	—	-8,381	217	112,307	0.2
Uganda	16,025	—	13,900	—	898	874	27,655	-1,794	452	29,396	1.5
United Arab Emirates	92,006	—	—	—	—	459	—	+4,106	96,571	38,737	249.3
United Kingdom	976,704	—	458,083	—	447,163	34,722	—	-71,704	950,642	1,913,070	49.7
United States	7,700,479	—	483,500	—	733,494	311,604	—	+217,566	7,979,655	4,899,530	162.9
Uruguay	13,937	—	26,000	—	—	181	31,766	-3,155	5,197	49,977	10.4
Vanuatu	524	—	—	—	—	49	—	+42	615	—	—
Venezuela	57,516	—	275,000	—	—	10,512	180,376	-16,753	145,899	316,890	46.0
Viet Nam	—	—	—	—	—	8,487	—	-8,487	—	47,658	—
Western Samoa	2,784	—	—	—	—	—	397	+116	2,503	1,142	219.2
Yemen, Republic of	2,378	—	32,394	—	19,514	—	—	-1,792	13,466	28,743	46.8
Yugoslavia	6,483	—	23,220	—	—	5,711	23,442	-11,530	442	155,161	0.3
Zaïre	1,705	—	—	—	—	8,477	3,676	-6,506	—	86,309	—
Zambia	11,267	—	7,264	—	117	27,036	34,857	-5,199	5,394	68,298	7.9
Zimbabwe	269	—	2,190	—	—	533	730	-752	1,510	10,200	14.8
Total Participants	20,757,415	—	5,043,649	—	5,083,810	3,808,221	3,732,759	-55,845	20,736,869	21,433,330	96.8
PRESCRIBED HOLDERS											
Arab Monetary Fund	2,809	—	206,432	—	200,656	—	—	+1,087	9,672	—	—
Bank of Central African States	146	—	59,650	—	56,525	—	—	+53	3,324	—	—
Bank for International Settlements	554	—	97,830	—	66,019	—	—	+239	32,604	—	—
East African Development Bank	466	—	—	—	357	—	—	+25	134	—	—
Eastern Caribbean Central Bank	1,570	—	—	—	—	—	—	+121	1,691	—	—
International Bank for Reconstruction and Development	2,761	—	—	—	194	—	—	+205	2,772	—	—
Islamic Development Bank	1,793	—	—	—	—	—	—	+138	1,931	—	—
Nordic Investment Bank	333	—	—	—	—	—	—	+26	359	—	—
Swiss National Bank	1,499	—	—	—	—	—	—	+115	1,614	—	—
Total Prescribed Holders	11,931	—	363,911	—	323,750	—	—	+2,009	54,101	—	—
GENERAL RESOURCES ACCOUNT	694,280	—	3,732,759	—	3,808,221	—	—	+61,520	680,338	—	—
Total	21,463,626	—	9,140,320	—	9,215,781	3,808,221	3,732,759	+7,683	21,471,308	21,433,330	—

Table II.13

Holdings of SDRs by All Participants and by Groups of Countries as Percent of Their Cumulative Allocations of SDRs and of Their Non-Gold Reserves, Financial Years Ended April 30, 1970–92

			Developing Countries				
					Net debtor countries		
	All Participants[1]	Industrial Countries	All developing countries	Net creditor countries	All net debtor countries	With recent debt-servicing problems[2]	Without recent debt-servicing problems
Holdings of SDRs as percent of cumulative allocations							
1970	93.8	101.4	73.5	100.0	72.9	83.0	55.2
1971	92.3	103.3	63.2	2.8	64.7	71.9	52.2
1972	90.2	100.0	64.4	34.5	65.2	62.0	70.6
1973	93.4	105.7	60.8	55.4	60.9	56.9	67.7
1974	94.6	106.2	64.3	59.5	64.4	61.3	69.7
1975	94.5	106.5	63.1	72.5	62.8	64.2	60.5
1976	95.1	108.4	59.8	99.1	58.8	59.8	57.2
1977	91.7	105.7	54.9	106.3	53.6	55.9	49.6
1978	85.3	95.6	58.1	117.6	56.6	59.9	50.9
1979	90.3	97.0	74.5	112.3	71.5	71.2	72.0
1980	91.9	96.8	81.0	148.3	75.6	71.3	82.1
1981	74.5	81.0	60.8	139.6	53.5	54.1	52.6
1982	74.6	81.9	59.1	140.5	51.5	46.3	59.1
1983	79.8	95.1	47.4	207.9	32.4	22.0	47.5
1984	69.8	80.4	47.3	183.9	34.6	22.7	51.8
1985	78.4	95.2	42.8	182.2	29.8	21.0	42.4
1986	87.3	105.3	49.0	192.5	35.6	26.4	49.0
1987	90.8	110.0	49.9	195.4	36.4	23.3	55.2
1988	96.2	115.9	54.4	202.8	40.6	32.4	52.5
1989	93.1	116.3	43.5	181.6	30.7	19.1	47.3
1990	97.2	121.9	44.4	205.3	29.4	15.4	49.6
1991	96.8	120.7	45.9	166.2	34.6	27.1	45.5
1992	96.0	121.1	42.3	159.8	31.4	22.1	44.7
Holdings of SDRs as percent of non-gold reserves							
1970	7.5	9.0	4.3	0.7	5.0	5.8	3.7
1971	9.2	9.9	6.1	0.0	7.7	8.7	6.0
1972	9.2	9.3	7.2	0.4	9.6	9.6	9.6
1973	8.0	8.7	5.0	0.5	6.4	6.2	6.6
1974	7.4	9.2	3.6	0.4	4.6	4.5	4.7
1975	6.1	8.9	2.4	0.2	3.9	3.7	4.4
1976	5.5	8.3	2.0	0.2	3.3	3.4	3.3
1977	4.5	7.4	1.4	0.2	2.3	2.5	2.0
1978	3.6	5.3	1.4	0.2	2.1	2.4	1.7
1979	4.8	5.8	2.9	1.1	3.6	3.9	3.2
1980	5.8	7.1	3.5	1.5	4.4	4.6	4.3
1981	5.0	6.2	2.9	1.8	3.5	3.9	3.0
1982	5.5	6.9	3.0	1.6	3.7	4.3	3.2
1983	5.5	7.2	2.3	2.2	2.3	2.4	2.3
1984	4.3	5.6	2.0	1.9	2.1	2.0	2.1
1985	4.6	6.3	1.6	1.7	1.6	1.6	1.7
1986	5.2	6.7	2.0	1.8	2.2	2.2	2.1
1987	4.9	5.7	2.0	1.4	2.4	2.3	2.5
1988	4.6	5.1	2.0	1.4	2.5	3.2	2.1
1989	4.1	4.7	1.5	1.2	1.7	2.1	1.6
1990	4.0	4.6	1.5	1.5	1.4	1.4	1.4
1991	3.6	4.3	1.3	1.2	1.3	1.6	1.1
1992	3.4	4.4	1.0	1.1	1.0	1.2	0.9

[1] Consists of member countries that are participants in the SDR Department. At the end of financial year 1992, of the total SDRs allocated to participants in the SDR Department (SDR 21.4 billion), SDR 0.7 billion was not held by participants but instead by the Fund and prescribed holders.
[2] Countries with recent debt-servicing problems are those that incurred external payments arrears or rescheduled their debts during the period 1986–90.

Table II.14

Purchases and Subsidy Payments Under Supplementary Financing Facility, May 29, 1980–April 30, 1992
(In millions of SDRs)

	Cumulative Purchases	Cumulative Subsidy Payments
Recipients of subsidy at the full rate[1]		
Bangladesh	110.0	16.35
Bolivia	25.5	3.89
Dominica	4.5	0.61
Gambia, The	4.8	0.65
Guyana	30.9	4.66
India	1,200.0	157.48
Kenya	94.8	13.84
Liberia	42.9	6.26
Madagascar	22.2	3.30
Malawi	28.1	4.18
Mauritania	16.0	2.33
Pakistan	537.1	75.90
Philippines	333.0	49.26
Senegal	54.2	7.79
Sierra Leone	17.2	2.54
Sri Lanka	—	0.59[2]
Sudan	171.4	25.36
Tanzania	16.3	2.45
Togo	7.3	1.07
Zambia	—	3.52[3]
Subtotal	2,716.2	382.03
Recipients of subsidy at half the full rate[4]		
Côte d'Ivoire	286.4	19.39
Jamaica	227.1	16.80
Mauritius	69.2	5.07
Morocco	137.5	10.23
Peru	195.1	15.06
Subtotal	915.3	66.55
Total	3,631.5	448.57[5,6]

[1]Members with per capita incomes equal to or below the level of per capita income used to determine eligibility for assistance from the International Development Association (IDA) are eligible for the full rate subsidy (not to exceed 3 percent a year).
[2]Subsidy paid in respect of Fund holdings in excess of 140 percent of quota under the Fund's policy on exceptional use.
[3]Subsidy paid in respect of Fund holdings in excess of 200 percent of quota under the Fund's policy on exceptional use.
[4]Members with per capita incomes in excess of the IDA level but not more than the per capita income of the member with the highest per capita income in 1979 that was eligible to receive assistance from the Trust Fund.
[5]Including SDR 2.5 million of subsidies approved but not paid to four members on account of nonpayment of SFF charges by these members.
[6]Total may not add up due to rounding.

Table II.15

Key IMF Rates, Financial Year Ended April 30, 1992

(In percent)

Week Beginning	SDR Interest Rate and Unadjusted Rate of Remuneration[1]	Basic Rate of Charge on Ordinary Resources[1]	Week Beginning	SDR Interest Rate and Unadjusted Rate of Remuneration[1]	Basic Rate of Charge on Ordinary Resources[1]
1991			November 4	7.03	6.79
April 29	7.79	7.53	November 11	6.97	6.73
May 6	7.69	7.43	November 18	6.98	6.74
May 13	7.69	7.43	November 25	6.99	6.75
May 20	7.62	7.36	December 2	6.97	6.73
May 27	7.60	7.34	December 9	6.95	6.71
June 3	7.65	7.39	December 16	6.88	6.65
June 10	7.68	7.42	December 23	6.83	6.60
June 17	7.68	7.42	December 30	6.92	6.68
June 24	7.68	7.42			
July 1	7.69	7.43	**1992**		
July 8	7.63	7.37	January 6	6.82	6.59
July 15	7.62	7.36	January 13	6.63	6.40
July 22	7.62	7.36	January 20	6.56	6.34
July 29	7.63	7.37	January 27	6.55	6.33
August 5	7.55	7.29	February 3	6.57	6.35
August 12	7.55	7.29	February 10	6.61	6.39
August 19	7.49	7.24	February 17	6.59	6.37
August 26	7.50	7.25	February 24	6.60	6.38
September 2	7.45	7.20	March 2	6.61	6.39
September 9	7.33	7.08	March 9	6.60	6.38
September 16	7.22	6.97	March 16	6.69	6.46
September 23	7.23	6.98	March 23	6.70	6.47
September 30	7.20	6.96	March 30	6.70	6.47
October 7	7.19	6.95	April 6	6.72	6.49
October 14	7.17	6.93	April 13	6.46	6.24
October 21	7.16	6.92	April 20	6.46	6.24
October 28	7.10	6.86	April 27	6.49	6.27

[1] The rate of remuneration is adjusted downward and the basic rate of charge is adjusted upward to share the burden of protecting the Fund's income from overdue charges and of contributing to the Fund's precautionary balances. These burden-sharing amounts are refundable when overdue charges are paid and when overdue obligations cease to be a problem.

Table II.16

Members That Have Accepted the Obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement

Member	Effective Date of Acceptance	Member	Effective Date of Acceptance
Antigua and Barbuda	November 22, 1983	Kuwait	April 5, 1963
Argentina	May 14, 1968	Luxembourg	February 15, 1961
Australia	July 1, 1965	Malaysia	November 11, 1968
Austria	August 1, 1962	Marshall Islands	June 22, 1992
Bahamas, The	December 5, 1973	Mexico	November 12, 1946
Bahrain	March 20, 1973	Netherlands	February 15, 1961
Belgium	February 15, 1961	New Zealand	August 5, 1982
Belize	June 14, 1983	Nicaragua	July 20, 1964
Bolivia	June 5, 1967	Norway	May 11, 1967
Canada	March 25, 1952	Oman	June 19, 1974
Chile	July 27, 1977	Panama	November 26, 1946
Costa Rica	February 1, 1965	Papua New Guinea	December 4, 1975
Cyprus	January 9, 1991	Peru	February 15, 1961
Denmark	May 1, 1967	Portugal	September 12, 1988
Djibouti	September 19, 1980	Qatar	June 4, 1973
Dominica	December 13, 1979	St. Kitts and Nevis	December 3, 1984
Dominican Republic	August 1, 1953	St. Lucia	May 30, 1980
Ecuador	August 31, 1970	St. Vincent	August 24, 1981
El Salvador	November 6, 1946	Saudi Arabia	March 22, 1961
Fiji	August 4, 1972	Seychelles	January 3, 1978
Finland	September 25, 1979	Singapore	November 9, 1968
France	February 15, 1961	Solomon Islands	July 24, 1979
Germany	February 15, 1961	South Africa	September 15, 1973
Guatemala	January 27, 1947	Spain	July 15, 1986
Guyana	December 27, 1966	Suriname	June 29, 1978
Haiti	December 22, 1953	Swaziland	December 11, 1989
Honduras	July 1, 1950	Sweden	February 15, 1961
Iceland	September 19, 1983	Thailand	May 4, 1990
Indonesia	May 7, 1988	Tonga	March 22, 1991
Ireland	February 15, 1961	Turkey	March 22, 1990
Italy	February 15, 1961	United Arab Emirates	February 13, 1974
Jamaica	February 22, 1963	United Kingdom	February 15, 1961
Japan	April 1, 1964	United States	December 10, 1946
Kiribati	August 22, 1986	Uruguay	May 2, 1980
Korea	November 1, 1988	Vanuatu	December 1, 1982
		Venezuela	July 1, 1976

Table II.17.

Exchange Arrangements as of March 31, 1992[1]

Pegged					Flexibility Limited Against a Single Currency or Group of Currencies		More Flexible		
Single currency			Currency composite						
U.S. dollar	French franc	Other	SDR	Other	Single currency[2]	Cooperative arrangements[3]	Adjusted according to a set of indicators	Other managed floating	Independently floating
Angola[4]	Benin	Bhutan (Indian rupee)	Burundi	Albania[4,5]	Bahrain[6]	Belgium	Chile[4,7]	China[4]	Afghanistan[4]
Antigua and Barbuda	Burkina Faso	Lesotho[4] (South African rand)	Iran, Islamic Republic of[4]	Algeria	Qatar[6]	Denmark	Colombia[4]	Ecuador[4]	Australia
Argentina	Cameroon	Swaziland (South African rand)	Libyan Arab Jamahiriya[8]	Austria	Saudi Arabia[6]	France	Madagascar	Egypt	Costa Rica
Bahamas, The[4]	Central African Republic	Yugoslavia (deutsche mark)	Myanmar	Bangladesh	United Arab Emirates[6]	Germany	Mozambique[4]	Greece	Bolivia
Barbados	Chad		Rwanda	Botswana		Ireland	Zambia[4]	Guinea	Brazil[4]
Belize	Comoros		Seychelles	Cape Verde		Italy		Guinea-Bissau[4]	Bulgaria
Djibouti	Congo			Cyprus		Luxembourg		India[4,9]	Canada
Dominica	Côte d'Ivoire			Czechoslovakia		Netherlands		Indonesia	Dominican Republic
Ethiopia	Equatorial Guinea			Fiji		Spain		Israel[11]	El Salvador[4]
Grenada	Gabon			Finland[10]		United Kingdom		Korea	Gambia, The
Iraq[4]	Mali			Hungary				Lao People's Democratic Republic	Ghana
Liberia	Niger			Iceland[12]				Maldives	Guatemala
Mongolia[4]	Senegal			Jordan				Mauritania	Guyana
Nicaragua[4]	Togo			Kenya[4]				Mexico	Haiti
Oman				Kuwait				Pakistan	Honduras[4]
Panama				Malawi				Poland	Jamaica
St. Kitts and Nevis				Malaysia[11]				Portugal	Japan
St. Lucia				Malta				Romania	Kiribati[13]
St. Vincent and the Grenadines				Mauritius				Sao Tome and Principe	Lebanon
Suriname				Morocco[14]				Singapore	Namibia[4,16]
Syrian Arab Republic[4]				Nepal[4]				Somalia[4]	New Zealand
Trinidad and Tobago				Norway[15]				Sri Lanka	Nigeria[4]
Yemen				Papua New Guinea				Tunisia	Paraguay
				Solomon Islands				Turkey	Peru
				Sweden[17]				Uruguay	Philippines
				Tanzania				Viet Nam	Sierra Leone
				Thailand					South Africa[4]
				Tonga					Sudan
				Vanuatu					Uganda[4]
				Western Samoa					United States
				Zimbabwe					Venezuela
									Zaïre

[1]Current information relating to Cambodia is unavailable.
[2]In all countries listed in this column, the U.S. dollar was the currency against which exchange rates showed limited flexibility.
[3]This category consists of countries participating in the exchange rate mechanism of the European Monetary System. In each case, the exchange rate is maintained within a margin of 2.25 percent around the bilateral central rates against other participating currencies, with the exception of Spain and the United Kingdom, in which case the exchange rate is maintained within a margin of 6 percent.
[4]Member maintains exchange arrangements involving more than one exchange market. The arrangement shown is that maintained in the major market.
[5]The basic exchange rate of the lek is pegged to the European currency unit (ECU).
[6]Exchange rates are determined on the basis of a fixed relationship to the SDR, within margins of up to ± 7.25 percent. However, because of the maintenance of a relatively stable relationship with the U.S. dollar, these margins are not always observed.
[7]The exchange rate is maintained within margins of ± 10 percent on either side of a weighted composite of the currencies of the main trading partners.
[8]The exchange rate is maintained within margins of ± 11 percent.
[9]The exchange rate is maintained within margins of ± 5 percent on either side of a weighted composite of the currencies of the main trading partners.
[10]The exchange rate, which is pegged to the ECU, is maintained within margins of ± 3.0 percent.
[11]The exchange rate is maintained within margins of ± 5.0 percent.
[12]The exchange rate is maintained within margins of ± 2.25 percent.
[13]The currency of Kiribati is the Australian dollar.
[14]The exchange rate is maintained within margins of ± 3.0 percent.
[15]The exchange rate, which is pegged to the ECU, is maintained within margins of ± 2.25 percent.
[16]The currency of Namibia is the South African rand, pending issuance of Namibia's own national currency.
[17]The exchange rate, which is pegged to the ECU, is maintained within margins of ± 1.5 percent.

Technical Assistance and Training, Relations with Other International Organizations, and External Relations

Technical assistance and training are extended by the Fund to members in a wide range of economic and financial areas, either at Fund headquarters or through staff missions to a member country. Staff from almost every department and bureau of the Fund may be provided in response to a member's request. Assistance may relate to a whole range of subjects, including economic policy, balance of payments adjustments programs, legal matters, debt management, exchange and trade issues, financial sector topics, and accounting, statistics, and data processing.

The *IMF Institute* trains officials of member countries, both at headquarters and overseas, through courses and seminars held in Arabic, English, French, and Spanish. It also organizes briefings for visiting officials and provides lecturing assistance to training programs of member countries and other international organizations in areas of Fund expertise.

During 1991/92, training at headquarters consisted of 15 courses and five seminars for senior officials, attended by 639 participants. The program included four 12-week courses on financial programming and policy, one special 9-week course on financial programming and policy specifically directed at centrally planned economies in transition, four 10-week courses on techniques of financial analysis and programming, and two courses on programming and policies for medium-term adjustment (one for eight weeks and one for nine weeks). The financial programming and policy course covered financial programming and adjustment issues for officials with substantial macroeconomic training and practical experience; the course on techniques of financial analysis and programming provided a more elementary review of similar issues; and the course on programming and policies for medium-term adjustment emphasized technical and policy aspects of medium-term adjustment programs. Eight-week courses were presented on balance of payments methodology, money and banking statistics (two courses), and government finance statistics (in collaboration with the Statistics Department). Seminars for senior officials were held on Fund-Supported Adjustment Programs in Africa: Issues for the 1990s, on fiscal policies in Eastern Europe (held in London, in collaboration with the Fiscal Affairs Department), and on aspects of tax policy and tax administration, one for Chinese tax officials (in collaboration with the Fiscal Affairs Department) and the other on Fund programs in Eastern Europe (held in Paris).

The Institute conducted 19 overseas courses and two seminars for high-level officials, and provided lecturing assistance in eight instances to six training organizations. Ten of these courses and one of the seminars were held in the former U.S.S.R. and the Eastern European countries undergoing a transition from planned to market-oriented economies. The Institute also organized 27 briefings at headquarters for a total of 312 visiting officials.

The Institute provided support to regional training institutions, mainly through lecturing assistance and "training of trainers." It is currently in the process of establishing, with five other international institutions, a new regional training center in Vienna for Eastern Europe and the former U.S.S.R. Courses are expected to begin in September 1992.

The *Monetary and Exchange Affairs Department* (known prior to May 1, 1992 as the Central Banking Department) provides technical assistance on central banking and financial sector issues through advisory missions involving staff and outside experts and through the assignment of resident experts. The objective is to strengthen monetary management and prudential regulation and develop members' financial systems, often as part of structural reforms underlying Fund-supported adjustment programs.

In 1991/92, the department provided a total of 128 experts and consultants who participated in its missions or were assigned to advisory or executive positions with central banks and monetary authorities of 79 countries and three regional organizations, representing 334 assignments and 68 man-years of assistance. The major part (86 percent) of this assistance was in the broad areas of research and policy, bank regulation and supervision, and central banking operations. Assistance in central bank accounting, organization and methods, and external debt made up the remainder. The equivalent of 15.2 man-years of these assignments was implemented with external funding arrangements with the United Nations Development Program (UNDP) (17 assignments and 10 man-years) and the Japan Administered Account (19 assignments and 5.2 man-years).

Departmental staff carried out 78 advisory missions in 1991/92, giving advice on a wide range of policy issues including monetary management, development of money markets, bank regulation and supervision, recapitalization of central banks, the structure of the financial system, and (in cooperation with the Legal Department) banking legislation.

During 1991/92, the department expanded its intensive technical assistance effort in Eastern Europe and the former U.S.S.R. In each of these countries the department, in cooperation with 5 to 10 central banks, has formed teams of consultants and staff to develop and implement a broad program of technical assistance aimed at modernizing central banking. Areas of particular focus include banking supervision, economic and monetary research, foreign exchange and domestic money market development, monetary and exchange rate management, payments and settlement systems, central bank accounting, internal audit, and organizational structure of a central bank. Altogether, 20 central banks have collaborated in these programs, making available 86 staff who have visited (often making multiple visits) and worked under management of departmental staff in the modernization exercise. The cooperating central banks themselves have contributed significantly through bilateral training opportunities and extensive support for these programs. In addition to these arrangements, senior policy advisors have been provided to four countries to enable periodic consultations with the central bank authorities at the highest level in Eastern Europe.

Policy-oriented research by the department in 1991/92 included completion of papers on money market development and monetary management, central bank independence, and monetary adjustment and the implementation of adjustment programs in Africa. Departmental staff also completed editing books on banking crises and on the evolving role of central banks.

The department's Legislation Data Bank, which contains the banking laws of some 150 countries, has provided the basis for prompt responses to a large number of inquiries from member countries for information and advice.

In 1991/92 the provision of technical assistance by the *Fiscal Affairs Department* increased sharply, owing mainly to the large volume of assistance given to the states of the former U.S.S.R. A total of 82 countries received help in 1991/92. There were

147 missions and other short-term assignments by staff, headquarters-based consultants, and panel experts, and 47 long-term assignments by panel experts. This translates into an increase in technical assistance of more than 30 percent over the previous year. The growth in the share of externally financed assignments continues, with over 30 percent of the total use of panel experts on short- and long-term assignments being funded by the United Nations Development Program (UNDP) and the Japan Administered Account (JAA).

The department's technical assistance continues to be focused primarily on the areas of tax policy, tax and customs administration, expenditure control, budgetary accounting, and treasury management. There has, however, been increasing work on the design of social safety nets and the reform of social security systems. Such assistance has been especially in demand in the states of the former U.S.S.R. and in Eastern Europe, given the priority that is attached to cushioning the marked impact of price reform and other adjustment measures on living standards. In addition to its commitment in these countries, FAD remained heavily involved in the countries of Africa and South America, particularly in terms of expert assignments.

The *Legal Department's* technical assistance work rose substantially during 1991/92. The increase reflects growing awareness in the Fund, in other international organizations, and in member countries that both stability and development are integrally related to the legal framework of the financial and fiscal sectors. An increase in work was recorded in all areas: in the Western Hemisphere, Africa, and Asia, as well as in Eastern Europe and the former Soviet Union. During the year, the department participated in 56 missions involving 29 different member countries. In the course of this work, the Legal Department has drawn on its staff, as well as on the expertise of legal scholars and practitioners. The department's technical assistance work is largely in response to requests from member countries, but it also provides technical assistance to other international organizations.

The department continues to focus its technical assistance work in banking, currency, and fiscal areas, while also working on matters such as basic civil law. In the areas of banking and currency legislation, the subjects include, among other things, central and general bank legislation, and exchange control regulations. In these areas, the department (1) drafts legislation, (2) reviews laws and draft legislation prepared by the authorities, and (3) provides related legal advice. In carrying out these tasks, the Legal Department cooperates closely with the relevant area departments, the Monetary and Exchange Affairs Department, and other departments, to ensure that the legal services, especially the drafting of legislation, accommodate and reflect sound policy objectives.

In the fiscal area, the department has drafted new income tax, value-added tax, tax administration and customs laws, and provided comments and advice on existing and proposed legislation. The department works closely with area departments and the Fiscal Affairs Department, helping member countries to translate policy decisions into law.

Technical assistance activities of the *Statistics Department* continued to expand in 1991/92. During the fiscal year, the department mounted 44 technical assistance missions, 16 of which were multi-topic, to 37 countries. By comparison, in 1990/91 the department conducted 37 such missions, 8 of which were multi-topic, to 33 countries. The 44 missions involved a total of 103 trips. The doubling of multi-topic missions responded to the need of many countries, especially new applicants for membership in the Fund, to address a broad range of statistical issues in the context of a consistent macroeconomic framework.

The department's program continued to focus mainly on countries that were actual or prospective users of Fund resources, on countries with statistical infrastructures at an early stage of development, and, increasingly, on countries of Eastern Europe and the former U.S.S.R. with statistical systems that need to be adapted to the requirements of economic analysis in a market economy. In 1991/92, staff of the department made 40 trips on 12 technical assistance missions to the countries of the European Department II. Seven of these were multi-topic missions.

The department's technical assistance activities were principally concentrated in the areas of monetary, balance of payments, and government finance statistics. Technical assistance in real sector statistics was provided in the areas of prices, production, trade, and national accounts. While technical assistance was mainly delivered through short-term visits of staff and headquarters-based consultants, it also included an increasing number of medium-term and resident assignments of experts, which were largely financed under the Executing Agency Agreement with the UNDP or with resources from the Japan Administered Account (JAA). During 1991/92, there were 12 active assignments in eight countries; 6 of the assignments were financed under UNDP/IMF projects, and 5 were financed under the JAA. In addition, a significant amount of assistance in statistics was provided through the participation of Statistics Department staff in 26 missions of other departments; these involved 28 trips and included 15 missions to EUR II countries.

The department's training activities continued apace. Specialized training was provided at headquarters to familiarize national statisticians with statistical methodologies and with their application. Also, as part of the IMF Institute's program, the department offered two courses in money and banking statistics and one each in balance of payments and government finance statistics. In addition, departmental staff lectured at a government finance statistics course that was organized by the Arab Monetary Fund and gave a regional course in money and banking statistics in Hungary for participants from the countries of central and Eastern Europe.

The *Bureau of Computing Services* provides limited technical assistance in electronic data processing (EDP) to member countries. This assistance is in direct support and facilitates the work of economic and financial missions of the Fund. Examples of EDP technical assistance include automation of external debt data, development of time-series data bases, and guidance in computerization in areas of statistics, central banking operations, tax administration, budget and treasury operations, and fiscal policy and planning. During 1991/92, bureau staff conducted missions to Angola, Namibia, Chile, Malaysia, United Arab Emirates, Bulgaria, and Poland. Looking ahead to the next several years, an increase in the number of requests for short-term EDP technical assistance is expected. With new countries joining the Fund, and with many member countries now developing computer systems to process, analyze, and manage economic and financial information, the Fund may increasingly be called upon to provide EDP assistance. Also, with the expanding use of desktop microcomputers and associated applications software and networking systems, member countries may look toward the Fund for overall strategic guidance and advice in data organization and management, statistical and financial processing, and estimation and modeling.

The Bureau of Computing Services continued to receive a large number of delegations and official visitors from member countries and from international and regional institutions. During 1991/92, numerous specialized technology training courses on the Fund's computing systems, applications, and facilities were conducted. The training program comprises presentations, lectures, demonstrations, and formal classes, which typically range from one week to one month. The EDP training focused on time-series data-base management, statistical analysis and forecasting, office automation, and the use of applications using data communications networks between large central computers and desktop microcomputers. Owing to the expanding role of technology and with the proliferation of microcomputers within member countries, it is anticipated that demand for electronic data and document access and exchange between the member countries and the Fund will increase. Also, the number of visitors and delegations from member countries that request to come to the Fund for technology discussions and information exchange will increase substantially.

Relations with Other International Organizations

An important role of the Fund as a member of the international financial community is to cooperate with other international and regional organizations that share common responsibilities, interests, and goals. Close ties are maintained with, among others, the United Nations, 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), and the European Bank for Reconstruction and Development (EBRD).

Primary responsibility for maintaining a liaison with many of these organizations rests with the three Fund offices located away from headquarters. The Special Representative to the United Nations is responsible for relations with the UN and its specialized agencies. The Office in Europe, located in Paris, deals in particular with the BIS, CEC, and OECD. The Geneva Office maintains close relations with GATT, UN Conference on Trade and Development, and other UN organizations located in Geneva. Liaison activities include attendance at meetings, participation in seminars and expert groups, and exchange of information and documents. The work of these offices is supplemented, when necessary, by assignment of staff and technical experts from headquarters. In addition, staff members participate in meetings and seminars, such as those of the regional economic and financial organizations in Africa, Asia and the Pacific, Latin America and the Caribbean, and the Middle East.

The Fund has continued to maintain a unique relationship with the World Bank. Collaboration between the two institutions includes joint participation in missions, regular exchange of documents and information, and attendance at each other's Executive Board meetings, conferences, and seminars. Fund staff participate in a number of aid coordination meetings held under World Bank auspices, including Aid Groups, Consultative Groups, and Donors Conferences. Cooperation with the World Bank has grown this past year in response to the far-reaching changes in the economies of central and Eastern Europe. Staff members consulted with their colleagues in the World Bank for the preparation of economic reviews of the independent states that constituted the former U.S.S.R. The first eight of these studies issued in April 1992, examined the economies of Belarus, Estonia, Latvia, Lithuania, Russian Federation, Ukraine, the economy of the former U.S.S.R. in 1991, and common issues and interrepublic relations in the former U.S.S.R. Reviews of economies of other states of the former U.S.S.R. followed in early 1992/93.

As part of long-standing cooperative arrangements with the GATT, the Fund provides documents and takes part in meetings held by the GATT for consultations with member countries on trade restrictions imposed for balance of payments purposes. Meetings attended by Fund staff also include the GATT Council of Representatives, as well as the annual sessions of the Contracting Parties to the GATT. Progress within the Uruguay Round of multilateral trade negotiations continues to be closely monitored by the Geneva Office and through staff attendance at meetings of the trade negotiating groups.

The Managing Director plays an active role in maintaining the Fund's relations with other international organizations by participating in meetings sponsored by various international and regional organizations, most notably the United Nations and its specialized agencies. He addressed the General Conference of the International Labor Organization in Geneva on June 10, 1991 and on July 8, 1991, addressed the plenary session of Economic and Social Council (ECOSOC) in Geneva. The Managing Director also addressed the Ad Hoc Committee of the Whole of the General Assembly on the Final Review of the United Nations Program of Action for African Economic Recovery and Development (UNPAAERD) in New York on September 3, 1991, and the Economic Commission for Latin America and the Caribbean of the United Nations (ECLAC) in Santiago, Chile, on November 29, 1991. On December 6, 1991, he spoke at a panel discussion on Improved Investment Climate in Latin America and the Caribbean sponsored by the Inter-American Development Bank and the Inter-American Investment Corporation in Washington, D.C. and on February 11, 1992, he addressed UNCTAD VIII in Cartagena, Colombia.

External Relations

Public interest in the work of the Fund widened considerably in 1991/92, and the Fund further broadened its efforts to explain its work and policies to a wider audience.

The sharply increased level of attention focused on the Fund, both by the media and the general public, was inspired by developments in the states of the former U.S.S.R., the large increase in applications for Fund membership, the continuing reform process in Eastern Europe, the liquidity position of the Fund and potential future use of its financial resources, the ratification process of the Ninth General Review of Quotas and the Third Amendment to the Articles of Agreement, and the Fund's continuing role in the debt strategy. To help satisfy this expanding interest, the Managing Director and senior staff delivered speeches on a broad range of economic issues at both international and national forums. Staff members also delivered papers and participated in a wide range of conferences, seminars, and symposiums. The Fund organized and cosponsored a seminar for nonofficials in Lahore during October 1991 and in Abu Dhabi in January 1992.

The Fund considerably expanded its contacts with the international news media during the year, with particular emphasis on the Pacific Rim, Eastern Europe, and the former U.S.S.R. Management and senior staff played an active role in expanding these contacts through interviews, press conferences, and briefings for the press to explain major issues and developments, and by participating in seminars for the media designed to broaden knowledge about the institution and its functions. At headquarters, and during information missions, the external relations staff gave presentations on the role and work of the Fund to representatives of the press, and to academic, business, labor, and political groups from Africa, Asia, Europe, Latin America and the Caribbean, and North America.

The new film series on the Fund, "One World—One Economy" was widely disseminated, and the broadcast media made extensive use of it. The series is available in a number of languages, and broadcast standards. It was distributed worldwide to schools, universities, television stations, and the general public.

The IMF Visitors' Center remained active in the organization of events for the local community and international visitors, with an increase in the number of seminars on international economic issues held within the Economic Forum and the International Seminars series. The Center hosted cultural events, such as art exhibitions, film screenings, and concerts through expanding cooperation of embassies and Washington-based international organizations.

Publications

The Fund's active publications program is an important means of disseminating information about its work and about international monetary and financial topics that relate to its areas of concern. During 1991/92, the number of titles and range of subject matter covered in publications continued to expand. In particular, a decision was taken in April 1992 to publish the series of economic reviews of the states of the former U.S.S.R., making available to the public a considerable amount of detailed information on these states that had hitherto not been accessible. In addition to reviews on each of the 15 individual states, two companion papers—*The Economy of the Former U.S.S.R. in 1991* and *Policy Issues and Interrepublic Relations in the Former U.S.S.R.*—were also published. The biannual *World Economic Outlook*, available in English, French, and Spanish, and other publications in the World Economic and Financial Surveys and Occasional Papers series continued to attract considerable attention. A number of Occasional Papers covered developments in specific Fund member countries, particularly developments in the new members of Eastern Europe. The statistical publications were redesigned to enhance their accessibility and visual appeal. As part of the Fund's active publication marketing program, the *International Financial Statistics* was made available in CD-ROM format. A complete list of publications issued during the financial year appears in Table III.1.

Executive Directors and Staff

A list of Executive Directors and their voting power on April 30, 1992, is given in Appendix VI. The changes in membership of the Executive Board during 1991/92 are shown in Appendix VII.

In the financial year ended April 30, 1992, there were 187 appointments to the Fund's regular staff and 89 separations. At the end of the financial year, the staff numbered 1,861 and was drawn from 107 countries.

During the financial year, new departments were established in the Fund in recognition of its expanding role and responsibilities. The former Asian Department was divided into a Central Asian Department and Southeast Asia and Pacific Department; a European II Department was established to handle relations with the new states of the former U.S.S.R.; the former Bureau of Statistics was retitled the Statistics Department; and, effective May 1, 1992, the Central Banking Department was renamed the Monetary and Exchange Affairs Department.

Table III.1

Publications Issued, Financial Year Ended April 30, 1992

Reports and Other Documents

Annual Report of the Executive Board for the Financial Year Ended April 30, 1991
(English, French, German, and Spanish). Free.

By-Laws, Rules and Regulations
Forty-Seventh Issue (English and French). Free.

Exchange Arrangements and Exchange Restrictions, Annual Report 1991.
$39.50 ($20.00 to full-time university faculty members and students).

Selected Decisions of the International Monetary Fund and Selected Documents, Sixteenth Issue
(English). Free.

Summary Proceedings of the Forty-Sixth Annual Meeting of the Board of Governors.
Free.

Periodic Publications

Balance of Payments Statistics Yearbook
Vol. 42. A two-part yearbook. $45.00 a year.

Direction of Trade Statistics
Quarterly, with yearbook. $86.00 a year. $43.00 to full-time university faculty members and students. $25.00 for yearbook only.

Government Finance Statistics Yearbook
Vol. 15, 1991. (Introduction and titles of lines in English, French, and Spanish). $48.00.

International Financial Statistics
Monthly, with yearbook (English, French, and Spanish). $188.00 a year. $94.00 to full-time university faculty members and students. $50.00 for yearbook only.

Staff Papers
Four times a year. $46.00 a year. $23.00 to full-time university faculty members and students.

The five publications listed above may be obtained at a special rate of $290.00 ($145.00 to full-time university faculty members and students).

Magnetic tape subscriptions to *Balance of Payments Statistics Yearbook, Direction of Trade Statistics, Government Finance*

Table III.1 ***(continued)***

Publications Issued, Financial Year Ended April 30, 1992

Statistics Yearbook, and *International Financial Statistics* are also available. *International Financial Statistics* is also available on CD-ROM. Price information is available on request.

Finance and Development
Issued jointly with the World Bank; quarterly (English, Arabic, Chinese, French, German, Portuguese, and Spanish). Free. Airspeed delivery, $20.00.

IMF Survey
Twice monthly, but only once in December (English, French, and Spanish). Private firms and individuals are charged at an annual rate of $60.00.

Occasional Papers
No. 80. *Domestic Public Debt of Externally Indebted Countries*
By Pablo E. Guidotti and Manmohan S. Kumar.

No. 81. *Currency Convertibility and the Transformation of Centrally Planned Economies*
By Joshua E. Greene and Peter Isard.

No. 82. *Characteristics of a Successful Exchange Rate System*
By Jacob A. Frenkel, Morris Goldstein, and Paul R. Masson.

No. 83. *Economic Reform in Hungary Since 1968*
By Anthony R. Boote and Janos Somogyi.

No. 84. *Financial Liberalization, Money Demand, and Monetary Policy in Asian Countries*
By Wanda Tseng and Robert Corker.

No. 85. *Thailand: Adjusting to Success—Current Policy Issues*
By David Robinson, Yangho Byeon, and Ranjit Teja with Wanda Tseng.

No. 86. *Ghana: Adjustment and Growth, 1983–91*
By Ishan Kapur, Michael T. Hadjimichael, Paul Hilbers, Jerald Schiff, and Philippe Szymczak.

No. 87. *Financial Assistance from Arab Countries and Arab Regional Institutions*
By Pierre van den Boogaerde.

No. 88. *Value-Added Tax: Administrative and Policy Issues*
Edited by Alan A. Tait.

No. 89. *The Romanian Economic Reform Program*
By Dimitri G. Demekas and Mohsin S. Khan.

No. 90. *The Internationalization of Currencies: An Appraisal of the Japanese Yen*
By George S. Tavlas and Yuzuru Ozeki.

No. 91. *Economic Policies for a New South Africa*
Edited by Desmond Lachman and Kenneth Bercuson with a staff team comprising Daudi Ballali, Robert Corker, Charalambos Christofides, and James Wein.

No. 92. *Stabilization and Structural Reform in the Czech and Slovak Federal Republic: First Stage*
By Bijan B. Aghevli, Eduardo Borensztein, and Tessa van der Willigen.

No. 93. *Regional Trade Arrangements*
By Augusto de la Torre and Margaret R. Kelly.

No. 95. *The Fiscal Dimensions of Adjustment in Low-Income Countries*
By Karim Nashashibi, Sanjeev Gupta, Claire Liuksila, Henri Lorie, and Walter Mahler.

Occasional Papers No. 80–86 are available for $10.00 each, with a special price of $7.50 each to full-time university faculty members and students, and Nos. 90–95 are $15.00 each, with a special price of $12.00 each to full-time university faculty members and students.

World Economic and Financial Surveys
World Economic Outlook: A Survey by the Staff of the International Monetary Fund
(May 1991) (English, French, and Spanish).
$30.00 ($20.00 to full-time university faculty members and students).

World Economic Outlook: A Survey by the Staff of the International Monetary Fund
(October 1991) (English, French, and Spanish).
$30.00 ($20.00 to full-time university faculty members and students).

Private Market Financing for Developing Countries
By a Staff Team from the Exchange and Trade Relations Department.
$20.00 ($12.00 to full-time faculty members and students)

Books
Balance of Payments Manual
Fourth Edition (French). $7.50.

Banking Crises: Cases and Issues
Edited by V. Sundararajan and Tomás J.T. Baliño.
$22.50.

Central and Eastern Europe: Roads to Growth
Moderator: Georg Winckler.
$22.00.

Current Legal Issues Affecting Central Banks, Vol. 1
Edited by Robert C. Effros.
$42.50.

The Evolving Role of Central Banks
Edited by Patrick Downes and Reza Vaez-Zadeh.
$28.50.

The IMF Statistical Systems in Context of Revision of the United Nations: A System of National Accounts
Edited by Vicente Galbis.
$35.00.

Fiscal Policies in Economies in Transition
Edited by Vito Tanzi.
$24.50.

International Financial Policy: Essays in Honor of Jacques J. Polak
Edited by Jacob A. Frenkel and Morris Goldstein.
$30.00.

Macroeconomic Models for Adjustment in Developing Countries
Edited by Mohsin S. Khan, Peter J. Montiel, and Nadeem U. Haque.
$20.00.

Public Expenditure Handbook: A Guide to Public Policy Issues in Developing Countries
Edited by Ke-Young Chu and Richard Hemming.
$22.50.

Economic Reviews
Common Issues and Interrepublic Relations
Belarus
Economic Transformation in the Fifteen Republics of the Former U.S.S.R. (speech by M. Camdessus).
The Economy of the Former U.S.S.R. in 1991
Estonia
Latvia
Lithuania
Russian Federation
Ukraine

The Economic Reviews are $10.00 each.

Table III.1 ***(concluded)***

Publications Issued, Financial Year Ended April 30, 1992

Booklets

Assisting Reform in Central and Eastern Europe
By John M. Starrels. (English, French, and Spanish). Free.

The Challenges Facing the IMF
By Michel Camdessus. Free.

Dealing with the Unexpected: The IMF's Response to the Middle East Crisis
By David M. Cheney (English, French, Spanish). Free.

The IMF and the World Bank? How Do They Differ?
By David Driscoll (Russian). Free.

IMF Assistance to Sub-Saharan Africa
By F.L. Osunsade and Paul Gleason. (English, French, and Spanish). Free.

Ten Misconceptions About the IMF
By the External Relations Department (Russian). Free.

Three Addresses by Michel Camdessus
(English, French, and Spanish). Free.

What Is the International Monetary Fund?
By David Driscoll (Russian). Free.

Copies of the Fund's publications may be obtained from Publication Services, International Monetary Fund, 700 19th Street, N.W., Washington, D.C. 20431, U.S.A.

Principal Policy Decisions of the Executive Board

A. Conditionality in Fund-Supported Adjustment Programs—Issues and Review of Experience

1. Pursuant to Decision No. 9189-(89/77),[1] adopted June 19, 1989, the Fund has reviewed the experience with recent programs supported by stand-by and extended arrangements and the provisions of the extended Fund facility.
2. The guidelines on conditionality and the provisions of the extended Fund facility will remain in force in the present circumstances.
3. The Fund will again review the experience with programs supported by stand-by and extended arrangements at an appropriate time pursuant to paragraph 12 of the guidelines on conditionality. At that time, the Fund will also review the provisions of the extended Fund facility.

Decision No. 9790-(91/106)
July 31, 1991

B. Status of Consents to Increases in Quotas Under Ninth General Review and of Acceptances of Proposed Third Amendment of Articles of Agreement; and Enlarged Access Policy—Substitution of Ordinary for Borrowed Resources

(a) Extension

1. The Executive Board, considering that
   —it is a matter of great regret that some member countries have not yet consented to the quota increase under the Ninth Review or accepted the Third Amendment;
   —it appears that both the quota increase and the Third Amendment will not become effective by the end of this year as had been envisaged;
   —early ratification of the general increase in members' quotas under the Ninth Review is imperative given the increasingly important role of the Fund in the world economy;
   —the Fund's liquidity position is projected to deteriorate sharply during 1992, which increases the urgency of the quota increase coming into effect as early as possible,

reminds all members of the need to complete expeditiously the procedures for the increases in quotas and the Third Amendment and urges those members that have not yet consented to their quota increases under the Ninth Review or accepted the Third Amendment to make every effort to complete the necessary procedures as soon as possible.

2. The Executive Board
   —has reviewed the Policy on Enlarged Access, the guidelines on access limits under that policy, and the decision on the substitution of ordinary for borrowed resources in financing purchases made under arrangements approved under the Policy on Enlarged Access, and
   —decides that Decision No. 9546-(90/145)[2] on the substitution of ordinary resources for borrowed resources in financing purchases made under arrangements approved under the Policy on Enlarged Access shall continue to apply to arrangements approved not later than the date on which the requirement for the effectiveness of increases in quotas under the Ninth General Review of Quotas specified in paragraph 3 of the Resolution of the Board of Governors No. 45-2 has been fulfilled, or June 30, 1992, whichever is earlier.
3. Pursuant to paragraph 4 of the Resolution of the Board of Governors No. 45-2, "Increases in Quotas of Members—Ninth General Review," the Executive Board decides that notices in accordance with paragraph 2 of that Resolution must be received in the Fund before 6:00 p.m., Washington time, on June 30, 1992.
4. The Executive Board will review the status of the quota increase and the Third Amendment before the end of March 1992 and examine the steps that could be submitted for consideration by the Interim Committee if the necessary procedures have not been completed by that date. Decision No. 9546-(90/145)[2] will be reviewed at the same time.

Decision No. 9874-(91/167)
December 11, 1991

(b) Reviews

The Fund has concluded the reviews prescribed by Decision No. 9874-(91/167),[3] adopted December 11, 1991.

Decision No. 9953-(92/34)
March 23, 1992

(c) Period for Consent to Increases in Quotas Under Ninth General Review and Substitution of Ordinary for Borrowed Resources Under Enlarged Access Policy—Extension

1. The Executive Board, considering that
   —it is a matter of great regret that some member countries have not yet consented to the quota increase under the Ninth Review or accepted the Third Amendment;
   —it appears that both the quota increase and the Third Amendment will not become effective before the end of June 1992;
   —early ratification of the general increase in members' quotas under the Ninth Review is imperative;
   —the Fund's liquidity position is projected to decline rapidly during 1992–93, which increases the urgency of the quota increase coming into effect as early as possible,

urges those members that have not yet consented to their quota increases under the Ninth Review or accepted the Third Amendment to make every effort to complete the necessary procedures as soon as possible.

2. The Executive Board has reviewed Decision No. 9546-(90/145)[2] on the substitution of ordinary for borrowed resources in financing purchases made under arrangements approved under the Policy on Enlarged Access, and decides that that decision shall continue to apply to arrangements approved not later

[1]See *Selected Decisions*, Sixteenth Issue, pages 111–12.
[2]Ibid., pages 119–20.

[3]See Item (a), above.

than the date on which the requirement for the effectiveness of increases in quotas under the Ninth General Review of Quotas specified in paragraph 3 of the Resolution of the Board of Governors No. 45-2 has been fulfilled, or September 30, 1992, whichever is earlier.

3. Pursuant to paragraph 4 of the Resolution of the Board of Governors No. 45-2, "Increases in Quotas of Members—Ninth General Review," the Executive Board decides that notices in accordance with paragraph 2 of that Resolution must be received in the Fund before 6:00 p.m., Washington time, on September 30, 1992.

4. The Executive Board will review the status of the quota increase and the Third Amendment not later than September 11, 1992 and examine the steps that could be submitted for consideration by the Interim Committee if the necessary procedures have not been completed by that date.

Decision No. 10062-(92/82)
June 29, 1992

C. Guidelines for Borrowing by Fund—Review

Quota subscriptions are and should remain the basic source of the Fund's financing. However, on a temporary basis, borrowing by the Fund can provide an important supplement to its resources.

The confidence of present and potential creditors in the Fund will depend not only on the prudence and soundness of its financial policies but also on the effective performance of its various responsibilities, including, in particular, its success in promoting adjustment.

Against this background the Executive Board approves the following guidelines on borrowing by the Fund.

1. Fund borrowing shall remain subject to a process of continuous monitoring by the Executive Board in the light of the above considerations. For this purpose, the Executive Board will regularly review the Fund's liquidity and financial position, taking into account all relevant factors of a quantitative and qualitative nature.

2. In advance of any further borrowing undertaken by the Fund, except in the case of borrowing under the General Arrangements to Borrow, the Executive Board shall establish, in the context of circumstances prevailing at that time, limits expressed in terms of the total of Fund quotas above which the total of outstanding borrowing plus unused credit lines would not be permitted to rise.

3. Any limits that may be adopted as a result of a review pursuant to paragraph 2 above are not to be understood, at any time, as targets for borrowing by the Fund.

Decision No. 9862-(91/156)
November 15, 1991

D. Operational Budget—Method of Allocating Currencies—Operational Guidelines

The Executive Board has reviewed the guidelines regarding the use of currencies in the operational budget as set out . . . [in] Decision No. 9480-(90/103),[4] adopted June 27, 1990, and decides that these operational guidelines shall continue to apply until the date on which the requirement for the effectiveness of increases in quotas under the Ninth General Review of Quotas specified in paragraph 3 of the Resolution of the Board of Governors No. 45-2 has been fulfilled, or in any event, until not later than December 31, 1992.

Decision No. 9917-(92/11)
January 30, 1992

[4]See *Selected Decisions*, Sixteenth Issue, pages 205–206.

E. Overdue Financial Obligations—Special Charges—Review

The Fund has reviewed Decision No. 8165-(85/189) G/TR,[5] as amended, and Decision No. 9723-(91/63) G/TR,[6] and decides that the following sentence shall be added to Section IV of Decision No. 8165-(85/189) G/TR,[5] as amended:

> Effective May 1, 1992, special charges under Sections I and II above shall not be levied on overdue obligations of a member that is overdue in meeting any financial obligation to the Fund subject to special charges under Sections I and II above for six months or more.

Decision No. 10000-(92/58) G/TR
April 17, 1992

F. Debt and Debt-Service Reduction Operations—Early Repurchase Expectations—Amendment

a. The initial paragraph of Decision No. 9331–(89/167),[7] adopted December 19, 1989, as amended, shall be amended to read as follows:

> In the context of the guidelines on the role of the Fund in the debt strategy, the Fund adopts the following decision on expectations of early repurchase by members with respect to (i) purchases of additional resources under stand-by or extended arrangements either for interest support or for collateralization of principal in reduced interest par bond exchanges and (ii) purchases of amounts set aside under such arrangements to support operations involving debt reduction.

b. Paragraph 1 of Section A of Decision No. 9331–(89/167),[7] adopted December 19, 1989, as amended, shall be amended to read as follows:

> Whenever the Fund approves a member's request for (i) purchases of amounts set aside to support operations involving debt reduction under a stand-by or extended arrangement, or (ii) additional resources under a stand-by or extended arrangement either for interest support or for collateralization of principal in reduced interest par bond exchanges, pursuant to the Fund's guidelines on the role of the Fund in the debt strategy, the Fund shall specify in the decision approving the request the purposes for which, and the period of time within which, such set-aside amounts or additional resources can be used.

Decision No. 10056-(92/78)
June 23, 1992

[5]Ibid., pages 225–27.
[6]Ibid., pages 227–28.
[7]Ibid., pages 100–105.

G. Fund's Income Position

(a) Burden Sharing—Implementation in FY 1993

Section I. Principles of "Burden Sharing"

1. The financial consequences for the Fund which stem from the existence of overdue financial obligations shall be shared between debtor and creditor member countries.
2. The sharing shall be applied in a simultaneous and symmetrical fashion.

Section II. Determination of the Rate of Charge

1. The rate of charge for financial year 1993 referred to in Rule I-6(4) shall be adjusted in accordance with the provisions of Section IV.
2. The rate of charge referred to in Rule I-6(4) in force as of the end of financial year 1993, as adjusted under Section IV, shall continue to apply subsequently unless it is otherwise decided.

Section III. Amount for Special Contingent Account 1

An amount equivalent to 5 percent of the Fund's reserves at the beginning of the financial year shall be generated during financial year 1993 in accordance with the provisions of Section IV, and shall be placed to the Special Contingent Account 1 referred to in Decision No. 9471-(90/98),[8] adopted June 20, 1990.

Section IV. Implementation of Burden Sharing

1. During financial year 1993, notwithstanding Rule I-6(4)(a) and (b), and Rule I-10, the rate of charge referred to in Rule I-6(4), and the rate of remuneration prescribed in Rule I-10, shall be adjusted in accordance with the provisions of this Section.

2. (a) In order to generate the amount to be placed to the Special Contingent Account 1 in accordance with Section III, the rate of charge, and, subject to the limitation in (c), the rate of remuneration, shall be adjusted in accordance with the provisions of this paragraph, so as to produce equal amounts of income.

(b) If income from charges becomes deferred during an adjustment period as defined in (d), the rate of charge and, subject to the limitation in (c), the rate of remuneration, shall be further adjusted, in accordance with the provisions of this paragraph, so as to generate, in equal amounts, an additional amount of income equal to the amount of deferred charges. For the purposes of this provision, special charges on overdue financial obligations under Decision No. 8165-(85/189) G/TR,[9] adopted December 30, 1985, as amended, shall not be taken into account.

(c) No adjustment in the rate of remuneration under this paragraph shall be carried to the point where the average remuneration coefficient would be reduced below 85 percent for an adjustment period.

(d) The adjustments under this paragraph shall be made as of May 1, 1992, August 1, 1992, November 1, 1992, and February 1, 1993:

—shortly after July 31 for the period from May 1 to July 31;
—shortly after October 31 for the period from August 1 to October 31;
—shortly after January 31 for the period from November 1 to January 31;
—shortly after April 30 for the period from February 1 to April 30.

(e) The operation of this decision shall be reviewed when the adjustment in the rate of remuneration reduces the remuneration coefficient to the limit in (c) above.

3. A midyear review of the Fund's income position shall be held shortly after October 31, 1992. If, after any adjustment under paragraph 2, the actual net income for the first six months of the financial year, on an annual basis, is below the target amount for the year, by an amount equivalent to, or greater than, 2 percent of the Fund's reserves at the beginning of the financial year, the Executive Board will consider how to deal with the situation. If by December 15 no agreement has been reached as a result of this consideration, the rate of charge referred to in Rule I-6(4) shall be increased as of November 1 to the level necessary to reach the target amount of net income for the year.

4. (a) Subject to paragraph 3 of Decision No. 8780-(88/12),[10] adopted January 29, 1988, the balances held in the Special Contingent Account 1 shall be distributed in accordance with the provisions of this paragraph to members that have paid additional charges or have received reduced remuneration as a result of the adjustment, when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide.

(b) An amount equal to the proceeds of any adjustment for deferred charges shall be distributed, in accordance with the provisions of this paragraph, to members that have paid additional charges or have received reduced remuneration, when, and to the extent that, charges, the deferral of which had given rise to the same adjustment, are paid to the Fund. Distributions under this provision shall be made quarterly.

(c) Distributions under (a) or (b) shall be made in proportion to the amounts that have been paid or have not been received by each member as a result of the respective adjustments.

(d) If a member that is entitled to a payment under this paragraph has any overdue obligation to the Fund in the General Department at the time of payment, the member's claim under this paragraph shall be set off against the Fund's claim in accordance with Decision No. 8271-(86/74),[11] adopted April 30, 1986, or any subsequent decision of the Fund.

(e) Subject to paragraph 4 of Decision No. 8780-(88/12),[10] adopted January 29, 1988, if any loss is charged against the Special Contingent Account 1, it shall be recorded in accordance with the principles of proportionality set forth in (c).

Decision No. 9997-(92/57)
April 17, 1992

(b) Extended Burden Sharing—Review

Pursuant to Decision No. 9471-(90/98),[8] adopted June 20, 1990, the Fund has reviewed the operation of the implementa-

[8]Ibid., pages 250–52.
[9]Ibid., pages 225–27.
[10]Ibid., pages 239–40.
[11]Ibid., page 229.

tion of extended burden sharing, including the amounts of adjustments.

Decision No. 9998-(92/57)
April 17, 1992

(c) Disposition of Net Income for FY 1992

The Fund's net income for financial year 1992, equal to SDR 89,926,672, shall be placed to the Special Reserve.

Decision No. 10037-(92/72)
June 5, 1992

(d) Net Income Target and Rate of Charge on Use of Ordinary Resources for FY 1993

1. In accordance with Rule I-6(4)(a), the target amount of net income for FY 1993 shall be 5 percent of the Fund's reserves at the beginning of the financial year.
2. During FY 1993, and notwithstanding Rule I-6(4), the rate of charge referred to in Rule I-6(4) shall be a proportion of the SDR interest rate under Rule T-1.
3. Effective May 1, 1992, the proportion shall be 97.9 percent.
4. In accordance with Section IV, paragraph 3 of Decision No. 9997-(92/57),[12] adopted April 17, 1992, a midyear review of the Fund's income position shall be held shortly after October 31, 1992. At that time, the proportion of the SDR interest rate shall be reviewed on the basis of (i) the then prevailing SDR interest rate, and (ii) the revised estimated income and expense of the Fund during the year and the target amount of net income for the year. If after any adjustments under Section IV, paragraph 2 of Decision No. 9997-(92/57),[12] actual net income for the first six months of the financial year, on an annual basis, is below the target amount for the year by an amount equal to, or greater than, 2 percent of the Fund's reserves at the beginning of the financial year, the Executive Board will consider how to deal with the situation. If by December 15, 1992 no agreement has been reached as a result of this consideration, the proportion of the SDR interest rate shall be increased as of November 1, 1992 to the level necessary to reach the target amount of net income for the year.
5. When estimating income, no deduction shall be made for projected deferred income.
6. The Executive Board shall be notified, shortly after the end of each quarter, of the average rate of charge for the quarter.

Decision No. 10038-(92/72)
June 5, 1992

H. Structural Adjustment Facility, Enhanced Structural Adjustment Facility, and Enhanced Structural Adjustment Facility Trust

(a) Extension of Deadline for Review

Decision No. 9487-(90/106) SAF/ESAF,[13] adopted July 2, 1990 is amended by substituting "September 30, 1991" for "July 31, 1991."

Decision No. 9776-(91/96) SAF/ESAF
July 19, 1991

[12]See Item (a), above.
[13]See *Selected Decisions*, Sixteenth Issue, page 281.

(b) Review of Operations

Pursuant to Decision No. 9487-(90/106) SAF/ESAF,[13] adopted July 2, 1990, the Fund has reviewed the operation of the Structural Adjustment Facility, of the Enhanced Structural Adjustment Facility, and of the Enhanced Structural Adjustment Facility Trust. The operation of these facilities and of the Enhanced Structural Adjustment Facility Trust shall be further reviewed not later than July 31, 1992.

Decision No. 9808-(91/114) SAF/ESAF
September 4, 1991

I. Structural Adjustment Facility

(a) Potential Access

Pursuant to paragraph 4(1) of the Regulations for the Administration of the Structural Adjustment Facility Within the Special Disbursement Account (Annex to Decision No. 8238-(86/56) SAF,[14] as amended), the Fund determines that the potential access of each eligible member to the resources of the facility established by Decision No. 8240-(86/56) SAF,[15] adopted March 26, 1986, as amended, continues to be adequate. The potential access under the facility shall be reviewed again before the increase in quotas under the Ninth General Review becomes effective in accordance with paragraph 3 of Board of Governors Resolution No. 45-2, adopted effective June 28, 1990, but in any event not later than July 31, 1992.

Decision No. 9809-(91/114) SAF
September 4, 1991

(b) Structural Adjustment Facility Within Special Disbursement Account—Regulations for Administration—Amendment

Current paragraph 14(1) of the Regulations for the Administration of the Structural Adjustment Facility annexed to Decision No. 8238-(86/56) SAF,[14] adopted March 26, 1986, as amended, shall become subparagraph 14(1)(a), and a new subparagraph (b) shall be added as follows:

> (b) If the full amount of resources committed to an eligible member under a three-year arrangement under the Structural Adjustment Facility has not been disbursed and a subsequent three-year commitment is made under the Enhanced Structural Adjustment Facility for that member, the undisbursed amounts under the previous arrangement may be made available to the member under the three-year arrangement under the Enhanced Structural Adjustment Facility.

Decision No. 9863-(91/156) SAF/ESAF
November 15, 1991

(c) Amendment of List of Structural Adjustment Facility—Eligible Members

Albania, Angola, Côte d'Ivoire, Dominican Republic, Egypt, Honduras, Mongolia, Nicaragua, Nigeria, the Philippines, and Zimbabwe are eligible to receive balance of payments assistance under the Structural Adjustment Facility. The list annexed to

[14]Ibid., pages 260–66.
[15]Ibid., page 267.

Decision No. 8240-(86/56) SAF,[16] adopted March 26, 1986, as amended, shall be amended accordingly.

Decision No. 9986-(92/48) SAF
April 7, 1992

J. Enhanced Structural Adjustment Facility—Amendment

The following sentence shall be added to paragraph 2(a) of Decision No. 8757-(87/176) SAF/ESAF,[17] adopted December 18, 1987:

> Assistance under that Facility may also be provided from loans by the Enhanced Structural Adjustment Facility Trust not made in conjunction with loans from the Structural Adjustment Facility to members that are eligible for assistance from the Structural Adjustment Facility and have notified the Fund of their intention not to make use of the resources of the Structural Adjustment Facility.

Decision No. 9987-(92/48) SAF/ESAF
April 7, 1992

K. Enhanced Structural Adjustment Facility Trust

(a) Extension of Deadline for Review of Access Limits

Decision No. 9489-(90/106) ESAF,[18] adopted July 2, 1990 is amended by substituting "September 30, 1991" for "July 31, 1991."

Decision No. 9777-(91/96) ESAF
July 19, 1991

(b) Review of Access Limits

Pursuant to Decision No. 9489-(90/106) ESAF,[18] adopted July 2, 1990, the Fund as Trustee has reviewed the maximum limit and the exceptional maximum limit on access to the resources of the Enhanced Structural Adjustment Facility Trust established by Decision No. 8845-(88/61) ESAF,[19] adopted April 20, 1988. These limits shall be further reviewed before the increase in quotas under the Ninth General Review becomes effective in accordance with paragraph 3 of Board of Governors Resolution No. 45-2, adopted effective June 28, 1990, but in any event not later than July 31, 1992.

Decision No. 9810-(91/114) ESAF
September 4, 1991

[16]Ibid.
[17]Ibid., pages 280–81.
[18]Ibid., page 49.
[19]Ibid., pages 48–49.

(c) Amendment of Access Limits

The following paragraph 3 shall be added to Decision No. 8845-(88/61) ESAF,[19] adopted April 20, 1988:

> 3. The maximum limits in paragraphs 1 and 2 shall be reduced by the amount of potential access to the resources of the Structural Adjustment Facility for members that are eligible for assistance from the Structural Adjustment Facility and have notified the Fund of their intention not to make use of the resources of the Structural Adjustment Facility.

Decision No. 9988-(92/48) ESAF
April 7, 1992

(d) Transfer of Resources from Special Disbursement Account (SDA) to ESAF Trust and Retransfer to SDA—Amendment

The following paragraph 4 shall be added to Decision No. 8760-(87/176),[20] adopted December 18, 1987, and the present paragraph 4 shall be renumbered accordingly.

> Resources transferred under this decision shall be available to cover liabilities that are authorized to be discharged by the Reserve Account with respect to members that are eligible for assistance from the Structural Adjustment Facility and have notified the Fund of their intention not to make use of the resources of the Structural Adjustment Facility.

Decision No. 9989-(92/48)
April 7, 1992

L. Supplementary Financing Facility Subsidy Account—Additional Subsidy Payments for May 1–June 30, 1990 and Subsidy Payments for July 1, 1990–June 30, 1991

1. In accordance with the Instrument establishing the Supplementary Financing Facility Subsidy Account, as amended, additional subsidy payments shall be made with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument for the period May 1, 1990 through June 30, 1990, in the amount indicated to each of the eligible members as listed in Column 2 of the attachment.

2. In accordance with the Instrument establishing the Supplementary Financing Facility Subsidy Account, as amended, subsidy payments shall be made with respect to charges paid on holdings of currency referred to in Section 7 of the Instrument for the period July 1, 1990 through June 30, 1991, in the amount indicated to each of the eligible members as listed in Column 5 of the attachment.

3. The subsidy payments shall be made to each eligible member on July 31, 1991.

Decision No. 9788-(91/105) SBS
July 31, 1991

[20]Ibid., pages 282–83.

Attachment

SFF Subsidy Account: Approved Disbursements and Proposed Disbursements for May–June 1990 and July 1990–June 1991

(In SDRs)

	Cumulative Approved Subsidies in Period 1981–June 1990[1] (1)	Proposed Amount of Disbursement				
		Additional subsidy May 1990–June 1990 (2)	July–December 1990 (3)	January–June 1991 (4)	July 1990–June 1991 (3) + (4) (5)	Grand Total (2) + (5) (6)
(a) Members eligible to receive subsidy at the full rate						
Bangladesh	16,347,415	—	—	—	—	—
Bolivia	3,892,179	—	—	—	—	—
Dominica	611,958	125	316	10	326	451
Gambia, The	646,422	—	—	—	—	—
Guyana	4,662,959	—	—	—	—	—
India	157,301,307	43,347	126,350	11,929	138,279	181,626
Kenya	13,838,407	—	—	—	—	—
Liberia	6,255,741	—	—	—	—	—
Madagascar	3,297,841	—	—	—	—	—
Malawi	4,184,213	—	—	—	—	—
Mauritania	2,325,289	—	—	—	—	—
Pakistan	75,895,146	1,452	—	—	—	1,452
Philippines	49,259,335	—	—	—	—	—
Senegal	7,787,416	—	—	—	—	—
Sierra Leone	2,539,567	—	—	—	—	—
Sri Lanka	591,705	—	—	—	—	—
Sudan	25,363,197	—	—	—	—	—
Tanzania	2,447,084	—	—	—	—	—
Togo	1,074,507	—	—	—	—	—
Zambia	3,520,127	—	—	—	—	—
Subtotal	381,841,815	44,924	126,666	11,939	138,605	183,529
(b) Members eligible to receive subsidy at half the full rate						
Côte d'Ivoire	19,380,472	4,245	5,978	—	5,978	10,223
Jamaica	16,800,556	—	—	—	—	—
Mauritius	5,067,060	—	—	—	—	—
Morocco	10,226,265	—	—	—	—	—
Peru	15,061,171	—	—	—	—	—
Subtotal	66,535,524	4,245	5,978	—	5,978	10,223
Total	448,377,339	49,169	132,644	11,939	144,583	193,752

[1]These figures include SDR 2,535,568 withheld by the Fund pending payment of overdue SFF charges by members.
— Indicates that the member has no outstanding purchases under the SFF for the period shown.

Press Communiqués of the Interim Committee and the Development Committee

Interim Committee of the Board of Governors on the International Monetary System

PRESS COMMUNIQUÉS

Thirty-Seventh Meeting, Thailand, October 13–14, 1991

1. The Interim Committee of the Board of Governors of the International Monetary Fund met in Bangkok, Thailand, on October 13–14, 1991 under the chairmanship of Mr. Carlos Solchaga, Minister of Economy and Finance of Spain. Mr. Michel Camdessus, Managing Director, participated in the meeting, which was also attended by a number of observers. A U.S.S.R. delegation was invited to attend some of the discussion.

2. The Committee observed that the pronounced slowdown of world economic growth this year was expected to be followed in 1992 by a moderate recovery. The recent moderation of inflation would likely continue, improving prospects for sustained growth in the medium term.

Monetary and fiscal policies in the industrial countries should continue to focus on achieving the medium-term objectives of sustained global expansion, progress toward price stability, and provide the basis for lower real interest rates. Structural reforms, including measures to reduce trade restrictions and to improve the functioning of labor markets, are needed to enhance economic efficiency and, in many countries, reduce persistently high unemployment. Continued progress in fiscal consolidation would help to increase saving, raise private investment and potential output, and alleviate the debt-service burden of heavily indebted countries. The need to raise global saving is heightened by the new claims on resources associated with reconstruction in the Middle East, unification in Germany, the economic transformation of Eastern Europe, and prospects for reform in the U.S.S.R. It is essential that these additional demands be met by reductions in the absorption of saving by governments and an increase in private saving. In that respect, an important contribution could be made by reassessing spending on defense and subsidies.

3. The Committee was unanimous in its concern over the delays in the Uruguay Round and the attendant risks to the world economy. The Committee emphasized that the liberalization of the trade system would contribute importantly to global economic growth and thereby to the resolution of the debt problem. The failure of the Round could seriously jeopardize the international trade and payment system, of which the multilateral institutions are an integral part, as well as the outward-looking economic reforms supported by the Fund and the World Bank, under which many countries have proceeded unilaterally to dismantle trade barriers. The Committee therefore urged all governments to attach the highest political priority to a speedy and successful conclusion to the Round in order to realize the efficiency gains on which future growth depends.

4. The Committee reaffirmed its support for the international debt strategy. It was encouraged by the progress made by an increasing number of developing countries toward restoring external viability and achieving sustainable growth. This testifies to the effectiveness of the growth-oriented adjustment policies that have been supported by the international community and of the instruments developed to assist members in the resolution of their debt difficulties, including commercial bank debt and debt-service reduction. The Committee welcomed emerging trends toward capital repatriation and the recovery of private direct investment flows, as well as the resumption in some cases of voluntary capital market financing. It stressed the importance of continued adequate and timely financial support for all countries that are sustaining sound policies. In this context, the list of countries eligible for support under the enhanced structural adjustment facility (ESAF) should be kept under consideration with a view to a possible expansion.

Direct financial assistance from bilateral creditors and official debt restructuring remain essential. As concerns specifically the poorest, most indebted countries, the Committee acknowledged the need for more concessional restructuring terms in support of sound economic actions. The Committee called on the Paris Club to continue its discussions on how best to implement promptly additional debt relief measures, on a case by case basis, that go well beyond the relief already granted under the Toronto terms. The Committee also urged commercial banks to provide support to countries engaged in strong economic reform programs that have continued to service their debt despite very difficult external circumstances. It also called upon all parties to work expeditiously toward a normalization of financial relations in those cases where restructuring of bank debt is a necessary complement to strong domestic adjustment efforts.

5. The Committee warmly welcomed the continuing commitment of Eastern European countries to stabilizing and reforming their economies along market oriented lines in spite of the added difficulties caused by the collapse of trade in the former Council for Mutual Economic Assistance (CMEA) area. The Committee reasserted the importance for these countries to move speedily with institutional and structural reform, including the opening of their economies. The Committee praised the rapid and effective response of the Fund to the changes in Eastern Europe, and its role, in cooperation with the World Bank, the European Bank for Reconstruction and Development (EBRD), the Group of Twenty-Four, and the Paris Club, in organizing financing for the region in 1991. Adjustment efforts in these countries must continue to be actively supported during the next few years by adequate and timely financing, with private financing playing an increasingly important role. Improved access to industrial country markets also is indispensable to the reorientation and recovery of these economies.

6. The Committee welcomed the intention of the authorities in the U.S.S.R. to intensify reliance on market mechanisms and to integrate the economy into the multilateral trade and payments system. In view of the present circumstances of the country, the Committee warmly welcomed the signing of the Special Association between the U.S.S.R. and the Fund, as a step toward membership. The wide-ranging expertise that has become available

under this association will assist the authorities in moving forward with urgently needed economic stabilization and structural reforms so as to overcome the current crisis and set the stage for a successful transformation of the economy.

7. The Committee took stock of the progress made by members in consenting to increases in their quotas under the Ninth General Review and in accepting the Third Amendment of the Articles. The Committee urged those members who have not yet done so to complete the necessary procedures before the end of this year.

8. The Committee expressed its appreciation to the Kingdom and people of Thailand for their warm hospitality. It agreed to hold its next meeting in Washington, D.C., on Monday, April 27, 1992.

Annex: Interim Committee Attendance
October 13–14, 1991

Chairman

Carlos Solchaga, Minister of Economy and Finance, Spain

Managing Director

Michel Camdessus

Members or Alternates

Hamad Al-Sayari, Governor, Saudi Arabian Monetary Agency (Alternate for Mohammad Abalkhail, Minister of Finance and National Economy, Saudi Arabia)
Abubakar Alhaji, Minister of Finance and Economic Development, Nigeria
Ahmed Humaid Al-Tayer, Minister of State for Finance and Industry, United Arab Emirates
Pierre Bérégovoy, Minister of State for Economy, Finance, and the Budget, France
Nicholas F. Brady, Secretary of the Treasury, United States
Guido Carli, Minister of the Treasury, Italy
Domingo Felipe Cavallo, Minister of Economy, Argentina
Abderrahmane Hadj-Nacer, Governor, Banque Centrale d'Algerie
Ryutaro Hashimoto, Minister of Finance, Japan
Jaffar Hussein, Governor, Bank Negara Malaysia (Alternate for Anwar Ibrahim, Minister of Finance, Malaysia)
John Charles Kerin, Treasurer, Australia
Wim Kok, Deputy Prime Minister and Minister of Finance, Netherlands
Rolf Kullberg, Governor, Bank of Finland
Norman Lamont, Chancellor of the Exchequer, United Kingdom
LI Guixian, State Councillor and Governor of the People's Bank of China
Philippe Maystadt, Minister of Finance, Belgium
Donald Mazankowski, Deputy Prime Minister and Minister of Finance, Canada
Marcilio Marques Moreira, Minister of Economy, Finance, and Planning, Brazil
MAWAKANI Samba, Vice Governor, Banque du Zaïre (Alternate for NYEMBO Shabani, Governor, Banque du Zaïre)
Manmohan Singh, Minister of Finance, India
Mariano Rubio Jiménez, Governor, Banco de España (Alternate for Carlos Solchaga, Minister of Economy and Finance, Spain)
Theo Waigel, Federal Minister of Finance, Germany

Observers

Horst Bockelmann, Economic Adviser and Head of the Monetary and Economic Department, BIS
Henning Christopherson, Vice President, CEC
Kenneth K.S. Dadzie, Secretary-General, UNCTAD
Arthur Dunkel, Director General, GATT
Q.S. Fareed, Director, Office of the Director-General for Development and International Economic Cooperation, UN
Markus Lusser, Chairman of the Governing Board, Swiss National Bank
Peter Mountfield, Executive Secretary, Development Committee
Izevbuwa Osayimwese, Head, Economics and Finance Department, OPEC
Jean-Claude Paye, Secretary-General, OECD
Lewis T. Preston, President, World Bank

U.S.S.R.

Grigory Alexeyevich Yavlinsky, Deputy Chairman, Committee for the Management of the National Economy

Thirty-Eighth Meeting, Washington, April 27–28, 1992

1. The Interim Committee of the Board of Governors of the International Monetary Fund held its thirty-eighth meeting in Washington, D.C., on April 27–28, 1992 under the chairmanship of Mr. Carlos Solchaga, Minister of Economy and Finance of Spain.

2. The Committee noted that aggregate growth in the industrial countries is expected to be low this year, because the recession in several countries has proved more persistent than expected and growth has slowed in other countries. However, there are now signs that recovery is under way in a context of a continued moderation of inflation and lower interest rates. The Committee stressed the importance of economic policies that support recovery by strengthening private sector confidence through a firm and concerted pursuit of the objectives of the medium-term strategy aimed at achieving sustained economic growth and price stability. Progress toward these objectives has been made. Economic policy must also address the convergence required for economic and monetary union in Europe, and cope with the demands on world saving resulting from the transformation of centrally planned economies in addition to the continued needs of developing countries. Assuring recovery and sustainable growth requires appropriate monetary and fiscal pol-

icies, measures to eliminate structural distortions and increase the productivity of investment, as well as renewed efforts to eliminate unproductive spending and reduce public sector deficits, thus helping bring about a lasting decline in long-term real interest rates.

3. A rapid conclusion of the Uruguay Round would contribute to sustaining the recovery and medium-term growth. All countries stand to benefit from the Round, and would suffer from a failure; greater access to industrial country markets is of particular importance for developing countries and those in transition to market economies. An early agreement is essential to restore dynamism to world trade and to maintain the credibility of the multilateral system. The success of the negotiations is a must.

4. The Committee welcomed the adjustment and reform programs increasingly implemented by developing countries, and the resulting signs of a strengthening of economic performance in 1991–92. The momentum of these efforts to sustain growth and raise living standards must be maintained, with financial support from the international community, including for low-income countries under the Fund's enhanced structural adjustment facility.

The prolonged and severe drought in southern Africa and its consequences are cause for grave concern. The Committee called for efforts to alleviate these effects and protect the courageous adjustment efforts and reforms under way in countries in the region.

The Committee welcomed the indications of improvement in the debt situation of developing countries, as testimony to progress under the strategy. It welcomed the implementation by Paris Club creditors of greater debt relief for low-income countries, the progress on bank debt-restructuring agreements in several cases, and the continued recovery of private spontaneous capital flows to a number of developing countries. It also noted the continued examination by Paris Club creditors of the special situation of some lower middle-income countries on a case-by-case basis.

5. The Committee praised the reform efforts of countries with previously centrally planned economies, and welcomed the courageous initial steps taken by the states of the former Soviet Union toward building market-oriented economic systems. Positive signs are beginning to appear in several Eastern European countries, including lower inflation, a growing private sector, and entry into new export markets. Reform efforts must be sustained, and in several countries steps should be taken speedily to prevent growing fiscal imbalances from eroding the gains achieved. The far-reaching price liberalization measures already adopted in the states of the former Soviet Union need to be supported by the implementation of firm financial and structural policies. Unsustainably high public expenditures, including in the military area, need to be further reduced, and the privatization or, at least, commercialization of large public enterprises should be pursued vigorously and early in the reform process. Legal and institutional changes also need to be introduced without delay to create a climate conducive to private sector activity, including private ownership of land, and foreign investment flows. In addition, securing unrestricted trade among these states, along with effective policy coordination among members of the ruble area, will be critical to minimizing further economic dislocations.

6. The Committee warmly welcomed the approval by the Boards of Governors of the Fund and the World Bank of the terms and conditions for membership of the states of the former Soviet Union. A prompt implementation of strong Fund programs of stabilization and reform will be essential to help mobilize the substantial domestic and external resources required for sustainable growth. The Committee called on the international community to provide adequate technical assistance and financial support for such programs, and to help finance a stabilization fund for the ruble provided that conditions are appropriate. It welcomed the fact that the participants in the General Arrangements to Borrow were prepared to support activation of the arrangements to supplement the Fund's resources to finance the stabilization fund.

7. The Committee expressed concern that the quota increase under the Ninth General Review still had not come into effect, and asked all members that had not yet done so to complete as a matter of urgency the necessary procedures to this end. It called on the Executive Board to continue its consideration of international liquidity issues and the role of the SDR, and to report to the Committee at its next meeting to be held in Washington, D.C., on September 20, 1992.

Annex: Interim Committee Attendance
April 27–28, 1992

Chairman

Carlos Solchaga, Minister of Economy and Finance, Spain

Managing Director

Michel Camdessus

Members or Alternates

Mohammad Abalkhail, Minister of Finance and National Economy, Saudi Arabia
Abubakar Alhaji, Federal Minister of Finance and Economic Development, Nigeria
Sultan N. Al-Suwaidi, Governor, United Arab Emirates Central Bank (Alternate for Ahmed Humaid Al-Tayer, Minister of State for Finance and Industry, United Arab Emirates)
Pedro Aspe, Secretary of Finance and Public Credit, Mexico
Nicholas F. Brady, Secretary of the Treasury, United States
Guido Carli, Minister of the Treasury, Italy
R. F. McMullan, Parliamentary Secretary to the Treasurer, Australia (Alternate for John S. Dawkins, Treasurer, Australia)
Abderrahmane Hadj-Nacer, Governor, Banque Centrale d'Algérie
Tsutomu Hata, Minister of Finance, Japan
Cees Maas, Treasurer General, Ministry of Finance, Netherlands (Alternate for W. Kok, Deputy Prime Minister and Minister of Finance, Netherlands)
Norman Lamont, Chancellor of the Exchequer, United Kingdom
CHEN Yuan, Deputy Governor, People's Bank of China (Alternate for LI Guixian, State Councillor and Governor of the People's Bank of China)
Philippe Maystadt, Minister of Finance, Belgium

Donald Mazankowski, Deputy Prime Minister and Minister of Finance, Canada
Marcilio Marques Moreira, Minister of Economy, Finance and Planning, Brazil
GBENDO Ndewa Tete, Vice-Governor, Banque du Zaïre (Alternate for NYEMBO Shabani, Governor, Banque du Zaïre)
Carlos Eduardo Sanchez, Vice Minister of Economy, Ministry of Economy and Public Works and Services, Argentina
Michel Sapin, Minister of Economy and Finance, France
Jón Sigurdsson, Ministry of Commerce and Industry, Iceland
S. Venkitaramanan, Governor, Reserve Bank of India (Alternate for Manmohan Singh, Minister of Finance, India)
VIJIT Supinit, Governor, Bank of Thailand
Theo Waigel, Federal Minister of Finance, Germany

Observers

Horst Bockelmann, Economic Adviser and Head of the Monetary and Economic Department, BIS
Henning Christophersen, Vice President, CEC
Kenneth K.S. Dadzie, Secretary-General, UNCTAD
Arthur Dunkel, Director General, GATT
Markus Lusser, Chairman of the Governing Board, Swiss National Bank
Christian Ossa, Director, General Analysis and Policies Division, Department of International Economic and Social Affairs, UN
Jean-Claude Paye, Secretary-General, OECD
Lewis T. Preston, President, World Bank

Russian Federation

Yegor T. Gaidar, First Deputy Chairman

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

Forty-Second Meeting, Bangkok, October 14, 1991

1. The Committee held its forty-second meeting in Bangkok on October 14, 1991, under the chairmanship of Mr. Alejandro Foxley, Minister of Finance of Chile.[1] It was pleased to welcome for the first time the new President of the World Bank, Mr. Lewis T. Preston.

2. The Committee concentrated its discussion on two related issues: Development Priorities for the 1990s and the Implications for the World Bank Group; and Human Resource Development.

I. Development Priorities for the Nineties

a. Implementation of an Agreed Strategy

3. The Committee agreed that the priority development objectives for the nineties are the reduction of poverty and the achievement of sustainable growth; actions to protect the environment are essential to both objectives. It welcomed the broad consensus among members and institutions on these objectives, which have been clearly set out in recent World Development Reports. The Committee believes that the main task for the 1990s is now the implementation of these objectives. The Committee recognized that resource flows are essential for this purpose and requested the Bank in collaboration with the Fund to prepare a comprehensive study of the outlook for such flows including the role of the World Bank Group, the implementation of sound economic policies and investment reforms. It agreed that attainment of the objectives will depend on several mutually supporting factors: the complementary roles of the state and the private sector; the strength of developing country human resources and institutions; the creation of a market-friendly environment for development; the economic policies pursued by both developing and industrial countries; and the availability of domestic resources.

b. Role of the Developing Countries

4. Members recognized that many developing countries have made good progress in reforming their economies. Despite this progress, and especially if the present resource constraints continue, there will be great pressure upon these governments to pursue further economic reforms, in order to mobilize domestic resources, attract foreign direct investment, and increase the efficiency of capital use. Members believed that reforms which reflect free and undistorted pricing, open trade policies, transparent and nondiscriminatory investment policies, and an appropriate financial, legal, and regulatory framework, supported by effective and accountable political and administrative systems, can help create a stable market environment. They noted that fiscal reform would release resources to help finance poverty reduction programs and essential investment in social sectors. They also agreed that the reduction in global and in many regional tensions should help developing countries to reduce excessive and unproductive arms expenditures. They recognized that adjustment efforts could present short-term problems for developing countries, especially for the poorest and most heavily indebted among them, and could require the establishment of appropriate safety nets. The Committee called on the Bank and the Fund to continue to consider how best they could support the reform efforts of adjusting countries.

c. Role of the Industrial Countries

5. Members acknowledged that economic reform in the developing countries should be complemented by improvements in the trade, energy, industrial, and agricultural policies of the industrial countries; they noted that wider access to world markets is essential for the developing countries as well as benefiting producers and consumers in industrial countries. They also noted that trade distortions are more damaging to the developing countries than ten years ago and seriously weaken the benefit of current levels of official development assistance (ODA). They were therefore disturbed at the continued delay in concluding the Uruguay Round. They welcomed the readiness of the Group of Seven London summit leaders to intervene with one another if differences can only be resolved at the highest level. Members undertook to press upon their ministerial colleagues in their own capitals the need for a comprehensive agreement which would reduce trade barriers significantly, and would include rules to create a stable and predictable trading environment and to provide incentives for enhanced investment and greater opportunities for developing country exporters. They emphasized the urgent need for agreement at the political level well before the end of 1991.

6. Members also noted that the reduction in international tension could allow industrial countries under appropriate circumstances to release resources for additional ODA while reducing budgetary deficits. In any case, the Committee hoped that industrial countries could provide adequate support for strong adjustment efforts by the countries of Eastern and Central Europe without diverting ODA from traditional aid recipients. The Committee also urged that every effort should be made to increase ODA flows where needed. In this connection, the Committee invited donor countries, particularly those with assistance levels below the 0.7 percent ODA/GNP target, to make further efforts to increase the transfer of resources to developing countries.

[1]Mr. Lewis T. Preston, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, Mr. Rudolf Hommes, Minister of Finance and Public Credit of Colombia (Chairman of the Group of Twenty-Four), and Mr. Peter Mountfield, Executive Secretary of the Development Committee, participated in the meeting. Observers from Switzerland and 17 international and regional organizations also attended.

7. Members recognized that the creditor nations could help to remove some of the constraints on the developing world. The Committee welcomed the agreement at the recent Group of Seven London summit meeting on the need for additional relief for the poorest most indebted countries, on a case-by-case basis, going well beyond the relief already granted under Toronto terms. They called on the Paris Club to continue its discussion on how best to implement promptly these additional debt relief measures.

8. Members also welcomed the recent steps taken by several major debtors to regularize their relations with the commercial banks, and urged them to pursue market-based debt and debt-service reduction which will help them return to normal debtor-creditor relations. They noted that, while significant achievements have been made under the international debt strategy for the commercial banks, progress in implementation remained slow in some more complex cases and required continued efforts by all parties. Further progress would ease the resource constraints of a number of middle-income debtor countries. Members hoped more countries could soon benefit from the program, and so regain access to the international capital markets. They noted, however, that maintenance of creditworthiness is generally preferable to debt reduction, but for some countries, debt reduction is an important element in the restoration of creditworthiness as recognized under the debt strategy. The Committee recognized the need to continue financial support, with the help of advice from the Bank and the Fund, for those heavily indebted countries that are pursuing appropriate growth-oriented policies and continue to avoid debt rescheduling even in difficult conditions.

9. The Committee called on the Bank and Fund to prepare jointly a further progress report on the implementation of the debt strategy, covering both official and commercial bank creditors, for its next meeting, including taking account of developments in the area of banking supervision.

d. Implications for the Bank and Fund

10. In considering the implications of their agreed priorities for the operations of the World Bank Group, the Committee welcomed the decision of the Executive Board of the International Finance Corporation (IFC) to recommend a $1 billion capital increase, which it urged the Governors to approve before the end of 1991. Members noted the IFC's intentions to strengthen its development contribution and enhance its catalytic role in developing countries. The Committee urged the IFC to use its resources so as to maximize participation by the private sector. It welcomed the steps already under way to strengthen collaboration between the IFC and the rest of the Bank Group.

11. The Committee agreed on the importance of the private sector as one of the World Bank Group's priorities. It confirmed the need for reinforced implementation of the comprehensive World Bank Group Plan of Action for Private Sector Development adopted in 1989, placing this within the context of the Bank's established objectives, which it serves to strengthen. The Committee noted that in pursuing this policy the Bank would have due regard to the complementarity between public and private sectors analyzed in the World Development Report 1991. Members considered that as a result of this policy, the Group was now in a strong position to support the emerging market orientation of its member countries. The Committee agreed to keep all these arrangements under review starting at their spring 1993 meeting and asked for a progress report from the Bank at that time.

12. The Committee noted that there will be a continued need for adequate highly concessional flows to help the low-income countries. Members recognized that the resources provided by the Ninth Replenishment of the International Development Association (IDA) would run out in mid-1993. The Committee therefore noted with satisfaction that informal talks have already begun on the Tenth Replenishment and asked the Bank to provide a progress report at its next meeting on the status of the IDA negotiations. It also encouraged early action on the proposal to make possible enhanced structural adjustment facility support for certain countries beyond those already eligible.

13. The Committee noted that the International Bank for Reconstruction and Development (IBRD) now has substantial lending headroom available, but that new lending commitments have been relatively constant in real terms in recent years. For those countries where policy weaknesses and inadequate economic performance are constraining the level of IBRD lending, the Committee urged improved performance so that they can take advantage of the Bank resources that could be made available, and of the catalytic effect this would have in mobilizing other sources of finance. Members noted that even with a more rapid increase in commitments, net transfers from the Bank to developing countries in aggregate would remain negative, reflecting the maturity of the Bank as a lending institution. However, they stressed the need to maintain positive net transfers to individual adjusting countries to sustain the development process. The Committee welcomed the Bank's assurance that its assistance to Eastern and Central Europe could be accomplished while continuing to support sound programs and investments in the Bank's traditional borrowing countries.

14. Members recognized that, in translating agreed objectives into operations, the Bank's Board and management need to consider a series of trade-offs. The Committee noted with satisfaction that these agreed objectives are now increasingly reflected in the Bank's guidelines and procedures, and are thus used in allocating the staff resources and lending capacity of the IBRD and of IDA. Members stressed that the issue for the Bank is now effective implementation in the design of assistance strategies and lending operations tailored to country needs and conditions. The Committee endorsed the recent shift in the pattern of lending and the projections for the next three years, which show an increased share going to human resource development. It recognized that individual lending operations will continue to be driven by country priorities and by prospects of loan effectiveness, so that precise quantitative targets for the institution as a whole would be inappropriate.

15. Members noted that over the past decade the Bank Group has increased its advisory role, which improves the effectiveness and quality of its lending activities. They noted with satisfaction the increased collaboration between the Fund and the Bank in providing countries with policy advice and technical assistance and in the coordination of financial support. The Committee stressed that such advice needs to be related to the circumstances of individual borrowers and coordinated with the support and experience provided by other international agencies in order to exploit the comparative advantage of each, to maximize the impact and to avoid undue overlap.

16. Members observed that there had been a significant increase in the number of countries seeking IMF assistance, and noted that although many Fund member countries had already consented to the Fund quota increase and the Third Amendment of the Articles of Agreement, the majority of them had not yet done so. The Committee urged those countries to act before the end of the year.

II. Human Resource Development (HRD)

17. The Committee reaffirmed the Bank's conclusion that HRD is at the heart of any strategy for reducing poverty and spurring economic growth, and agreed with the 1991 World Development Report that "investing heavily in people makes sense not just in human terms but also in hard-headed economic terms." In order to achieve these aims, the Committee believes that mutually reinforcing action is needed at the level of individual developing country governments; of the donor community as a whole; and of the Bretton Woods institutions.

a. Human Resource Development and the Developing Countries

18. Recognizing the differing needs of developing countries, the Committee called on their governments to review their own strategies for HRD, and to make sure that an appropriate policy framework is in place, which will integrate long-term HRD policies with macroeconomic policies, demographic factors, and development infrastructure. It urged those governments to ensure that in framing their overall budgets they make increased provision for HRD, as an essential complement to investment in fixed capital. Members drew attention to the need to concentrate HRD budgets increasingly on basic human services, especially in health care, including population policies, and toward the wider provision of primary education, for girls as well as boys, given the exceptionally high long-term payoff in this area. The Committee recommended that expansion of HRD should be accompanied by an equal emphasis on better quality services. Finally, it drew the attention of those governments to the benefits that can sometimes follow from diversifying the sources of funding and the delivery of services to include the private sector and nongovernmental organizations, even where governments themselves must retain the primary responsibility for ensuring their provision. The Committee also asked the World Bank to continue reviewing HRD policies in developing countries in the course of its policy dialogue with them; and to present a synoptic account of progress in future publications, which will help donors and recipients to keep track of trends.

b. Human Resource Development and the Industrial Countries

19. Noting the wide scope for supporting international action in this field, the Committee called on the donor community at large to give high priority to HRD investment. Members noted that tied aid is not usually an appropriate instrument in this area. The Committee drew attention to the need to balance support for capital and for current expenditure and urged that grants and loans for HRD projects should be so structured as to ensure that the projects could continue on the strength of local revenues once external support is phased out.

20. Members agreed that the high payoffs from well-designed HRD investment merit some increase or redirection of the total of official development assistance. The Committee encouraged donors to pool their experiences and where possible to concentrate their efforts in areas where their own expertise was greatest.

c. Human Resource Development and International Financial Institutions

21. The Committee noted with satisfaction the increasing concentration of the World Bank's lending and advisory operations upon HRD. It welcomed the Bank's projected increase in HRD lending from about 6 percent in the early 1980s to about 15 percent of total Bank lending on average in FY92–94. It noted with satisfaction that primary health care now takes up about 3.5 percent of total Bank lending, and that primary education takes about 2.1 percent. It believes this reorientation to be well justified and desirable. It endorsed the World Bank's strategy of concentrating on support for broad programs of reform and development; of making maximum use of local resources and adapting to local conditions; of using the leverage of its own lending to encourage, where appropriate, the financing of a higher percentage of recurrent costs by donors and by recipients; of improving its evaluation of the impact of HRD lending so as to influence future expenditure decisions, by borrowers and other donors as well as by the World Bank; and by maintaining its own investment in high quality staff in the HRD area as a top priority within the constraints of its operating budget. The Committee also encouraged the IMF to continue increasing its emphasis on the social aspects of adjustment.

d. Women in Development

22. The Committee has increasingly come to recognize the structural and other constraints that prevent women from attaining their full role in the development process in many countries. It considered a progress report on this subject prepared by the Bank that demonstrated that the Bank Group is now increasingly addressing women-in-development issues in the design of its policy lending and advisory activities, with the strong support of many of the recipient countries and with due sensitivity to social and cultural factors. The Committee was pleased with the efforts made since its last discussion of this topic and urged the Bank to further emphasize implementation of its policy objectives through its economic and sector work and through its lending operations. The Committee asked for a further progress report in two years' time.

Future Work Program

23. The Committee agreed that it would in future carry out an annual review of the interlinkages between the policies of the industrial and developing countries focusing each year on a particular developmental topic. At its next meeting this review will emphasize trade aspects, and will be based on a joint issues paper provided by the Bank and the Fund. At that meeting the Committee will also consider the interaction of environmental and development policies in preparation for the United Nations Conference on Environment and Development to be held in June 1992, based on an issues paper to be prepared by the Bank in consultation with the Fund.

24. The Committee agreed to meet again in Washington, D.C., on April 28, 1992.

25. Members expressed their sincere thanks to the Government of the Kingdom of Thailand for its warm hospitality and for the excellent arrangements made for the meeting of the Committee in Bangkok.

Forty-Third Meeting, Washington, April 28, 1992

The forty-third meeting of the Development Committee took place in Washington, D.C. on April 28, 1992, under the chairmanship of Mr. Alejandro Foxley, Minister of Finance of Chile.[1]

Trade

The Committee's first annual review of the interlinkages between the policies of the industrial and developing countries focused on trade. Ministers agreed that the speedy completion of a successful Uruguay Round would be of enormous value to the world as a whole. Failure would mean delaying progress in areas provisionally negotiated during the Round; risking an increase in protectionist measures; and leaving the world trading system less flexible and less able to respond to changing conditions. They therefore urged all participants to recognize the international importance of the Round, and to work urgently for an outcome which will result in a substantial reduction of trade barriers.

They welcomed the significant efforts made by many developing countries to undertake trade reform and open up their markets, and the important trade moves many have been prepared to make as part of the Uruguay Round. To complement these measures, they encouraged industrial countries to accelerate the pace of their liberalization efforts. The Round's successful conclusion requires that all participants now make clear liberalization commitments. They encouraged all developing countries to take full advantage of the new market opportunities that the Round will bring. They stressed the importance to developing countries of open markets in industrial countries. Industrial countries in turn should maximize these new opportunities to enter their markets.

The Bank and the Fund should undertake and publish regular assessments of the impact of changes in world trade patterns on developing countries. They should support the efforts of developing countries with appropriate technical assistance, policy advice, and financial assistance, where necessary, to help them enter new markets. Continued trade liberalization may also require financial support from other multilateral agencies and bilateral donors. The Bank and the Fund will continue to collaborate with the General Agreement on Tariffs and Trade (GATT) in promoting open trade policies.

While recognizing the need to control potential damage to the environment, Ministers agreed that such legitimate concerns should not be used by any country to justify new or existing barriers to trade. These should not be used to impose environmental policies on the exporting country save where there is international agreement that this is necessary.

Ministers noted the preliminary assessment of the probable impact of the Uruguay Round on certain groups of developing countries, notably those that are net food importers, or those whose existing preferential access would be eroded, and urged the Bank and the Fund to consider the case for transitional financial help to these countries.

Ministers also noted the emergence in many parts of the world of regional trading arrangements, a tendency which may increase if the Uruguay Round fails. Such arrangements should be outwardly oriented, should emphasize trade creation rather than trade diversion, and should not slow down the process of greater multilateral liberalization.

The Committee asked the Bank and Fund to provide a progress report on trade issues for their September meeting and, once the Round is complete, a report on the implications of its outcome for the two institutions.

Environment

The Committee reviewed the interaction between environment and development policies and the preparations for the United Nations Conference on Environment and Development which meets in Rio de Janeiro in June 1992.

Ministers agreed with the conclusion of the World Bank's forthcoming *World Development Report 1992,* that continued, and even accelerated, economic growth and human development can be consistent with improving environmental conditions, but this will require significant policy, program, and institutional changes in dealing with national and global environmental problems.

At the national level, developing countries will require a threefold strategy. First, the mutually reinforcing roles of sustainable development and environment must be vigorously exploited through sound macroeconomic policies, which will promote growth and reduce poverty. The fight against poverty helps to preserve the environment. Second, such policies must be supplemented by an incentive structure that will discourage overuse of natural resources; developing countries will need external support for technology transfer and for capacity-building in the environmental area. The top sectoral priorities for direct national action are clean water and sanitation, air quality, soil, water and agricultural productivity, and natural habitats. Third, people and institutions (in public and private sectors alike) should be motivated to adopt less damaging behavior by bringing environmental considerations into their decisions—wherever possible by the use of market-based instruments that have the advantage of allowing reduction of environmental damages in the most cost-effective way.

Ministers recognized that many developing countries will continue to need increased outside help to tackle these national environmental problems. They agreed that official support should be provided through existing development institutions, which have strengthened their capacity to deal with environmental activities. Existing lenders and donors can help through increased aid, some of it on concessional terms. World Bank-led consultative groups and UNDP-led round tables can help to coordinate such aid and to integrate country strategies with environmental action plans. Ministers agreed that consideration should be given to a special "Earth Increment" to the tenth replenishment of the International Development Association (IDA-10).

[1]Mr. Lewis T. Preston, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, Mr. Alhaji A. Alhaji, Minister of Finance of Nigeria and Chairman of the Group of Twenty-Four, Mr. Arthur Dunkel, Director-General of the GATT, Mr. Maurice Strong, Secretary-General of UNCED, and Mr. Peter Mountfield, Executive Secretary, participated in the meeting. Observers from a number of other international and regional organizations and from Switzerland also attended.

At the global level, Ministers accepted that certain problems transcend national boundaries and require internationally negotiated solutions. They recognized that in the absence of conclusive scientific proof, a precautionary strategy to address the risk of climate change required a broad international consensus, as did the need to preserve biodiversity. They noted the early progress made in the operations of the Global Environment Facility (GEF), which they considered should play a leading role as the multilateral funding mechanism to provide new and additional financial resources through a mix of grant and concessional funding of incremental costs for achieving agreed global environmental benefits. The GEF should encourage universal membership. Its governance should ensure effective representation and participation by all countries. They asked the GEF participants to reach early decisions on the future coverage, governance, and financing of the Facility.

Ministers also welcomed the Bank's account of its own environmental activities, contained in two successive reports, and the related activities of the Fund. They noted the considerable progress made by the World Bank Group in adjusting its existing programs to accommodate environmental concerns; and the emphasis being given to such concerns in the design of the Bank's lending programs, in technical assistance, in the policy dialogue with developing countries and in its research work. They supported the Bank's efforts to assist borrowers and donors to design and implement environmentally acceptable programs, including timely production of environmental impact assessments and environment action plans. They asked for a progress report for the September meeting on the outcome of the Rio Conference and the follow-up action planned.

Transfer of Resources

The President of the World Bank gave his regular overview of the prospects for resource flows to the developing countries. Ministers expressed their concern that the volume of official development assistance has not increased, since last year, and agreed to discuss all resource flows and transfers in more depth during their September meeting, as requested previously, in order to examine the scarcity of financial resources for development and to make concrete proposals.

Economies in Transition

The Committee noted the historic changes that have taken place since their last meeting and they warmly welcomed the states of the former Soviet Union into the two institutions. They received renewed assurances from the President of the World Bank that IBRD lending to the new members (and in Eastern and Central Europe) could be supplied without jeopardy to the borrowing requirements of the Bank's other developing country shareholders. They supported the Fund's current and proposed operations in this area, and noted that the rapid acceptance of the new quota increase would allow increased Fund activities there. They recognized the need for close coordination between the Bank and the Fund and with other international organizations. They recognized the importance of integrating these countries quickly into the world trading system, and the GATT, and the need for them to liberalize their own external trade regimes. They called on donor countries to provide additional funds for this area without diverting resources from other recipients.

IDA-10 and ESAF

The Committee was briefed on the current state of negotiations for IDA-10. Ministers recognized the many new calls on IDA from the increasing needs of the poorest countries, which have traditionally benefited from concessional IDA lending, from newly eligible countries and new and potential members of the Bank Group, and from the increased importance of environmental concerns. They stressed once again the need to enhance the focus on poverty reduction in IDA operations. While recognizing the budgetary constraints of many donors, Ministers recognized the need for IDA Deputies to reach agreement by the end of 1992 on a Tenth Replenishment of IDA, preferably at a level substantially above that of IDA-9. They noted that the Bank would submit a further progress report at the time of its September meeting. They welcomed the recent expansion in the list of ESAF-eligible countries, and the Fund's operations in support of adjustment efforts. The momentum of these efforts to sustain growth and raise living standards must be maintained, with financial support from the international community, including for low-income countries under the Fund's enhanced structural adjustment facility.

Poverty

The Committee received a progress report on the implementation of the Bank's poverty strategy and the related work of the Fund. Ministers regretted that because of the worsening economic situation the Bank believed there would be over 50 million more poor people at the end of the century than in 1985, despite their earlier hope of a substantial reduction. Ministers reaffirmed their view that poverty reduction must remain, in the context of sustainable growth, the Bank Group's main priority. Every effort should be made to apply this priority at the country level in the design of individual lending operations and the production of poverty assessments, and to allocate the necessary staff resources with appropriate skills. They noted that the Fund pays full regard to the impact of members' Fund-supported adjustment programs on the poor, and helps member countries to integrate social safety nets into their reform programs.

Drought in Southern and Eastern Africa

Ministers noted with grave concern the impact of the severe drought in southern and eastern Africa, and urged donors and the Bank and the Fund to provide maximum support for efforts coordinated by the United Nations to alleviate the effects of the drought.

Foreign Investment

Following the proposal by France at the April 1991 meeting, the Committee received a progress report on the study being made by the World Bank Group of the legal framework governing foreign direct investment. Ministers welcomed the work in hand as a basis for discussion of guidelines to help all countries create a hospitable environment for foreign direct investment.

They agreed to return to this subject in the September meeting to discuss the proposed guidelines.

Debt

The Committee reviewed recent developments in international debt management. Ministers noted the continued progress being made under the international debt strategy in reinvigorating the reform efforts in debtor countries. They recognized however that for many heavily indebted countries, the debt overhang continued to pose a serious problem.

They welcomed the recent agreements reached with commercial banks, most recently by Argentina, covering nine countries accounting for more than 60 percent of the commercial bank debt of the major debtor nations. Ministers encouraged all parties concerned to complete commercial bank agreements on a timely basis. They welcomed the decision to extend the IDA Debt Reduction Facility for a further two years.

Ministers noted that re-entry to the capital markets accelerated during 1991 for heavily indebted countries which have been successfully adjusting their economies. They noted that countries which had avoided debt rescheduling generally maintained their access to markets but the Committee agreed that their efforts deserved continuing support.

They welcomed the consensus reached by the Paris Club on a new treatment, including 50 percent debt relief, for the poorest and most heavily indebted countries, which are pursuing appropriate adjustment policies. Members noted that the Paris Club has agreed to consider the stock of debt, under certain conditions, after a period of three to four years. They recognized that debt reduction, while necessary in certain cases, meant that certain creditors would be unable to advance new loans to the countries concerned.

Ministers considered the impact of current accounting, taxation, and supervisory practices upon the willingness of commercial banks to conclude debt reduction agreements, and noted that these had not been a significant barrier. They agreed to consider further whether such procedures seriously inhibited new lending.

* * *

The Committee agreed to meet again in Washington, D.C. on September 21, 1992, when, as already decided, it will discuss papers on the transfer of resources to developing countries, and on the legal framework for the treatment of foreign investment.

Executive Directors and Voting Power on April 30, 1992

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Percent of Fund Total[2]
APPOINTED				
Thomas C. Dawson II *Quincy M. Krosby*	United States	179,433	179,433	18.86
David Peretz *Paul Wright*	United Kingdom	62,190	62,190	6.54
Bernd Goos *Bernd Esdar*	Germany	54,287	54,287	5.71
Jean-Pierre Landau *Isabelle Martel*	France	45,078	45,078	4.74
Hiroo Fukui *Naoki Tabata*	Japan	42,483	42,483	4.47
Muhammad Al-Jasser *Abdulrahman A. Al-Tuwaijri*	Saudi Arabia	32,274	32,274	3.39
ELECTED				
Jacques de Groote (Belgium)	Austria	8,006		
Johann Prader (Austria)	Belgium	21,054		
	Czechoslovakia	6,150		
	Hungary	5,557		
	Luxembourg	1,020		
	Turkey	4,541	46,328	4.87
Renato Filosa (Italy)	Greece	4,249		
Ioannis Papadakis (Greece)	Italy	29,341		
	Malta	701		
	Poland	7,050		
	Portugal	4,016	45,357	4.77
Angel Torres (Spain)				
Roberto Marino (Mexico)	Costa Rica	1,091		
	El Salvador	1,140		
	Guatemala	1,330		
	Honduras	928		
	Mexico	11,905		
	Nicaragua	932		
	Spain	13,110		
	Venezuela	13,965	44,401	4.67
G. A. Posthumus (Netherlands)	Bulgaria	3,350		
Zarko Trbojevic (Yugoslavia)	Cyprus	947		
	Israel	4,716		
	Netherlands	22,898		
	Romania	5,484		
	Yugoslavia	6,380	43,775	4.60
Mohamed Finaish (Libya)	Bahrain	739		
Azizali F. Mohammed	Egypt	4,884		
(Pakistan)	Iraq	5,290		
	Jordan	989		
	Kuwait	6,603		
	Lebanon	1,037		

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Percent of Fund Total[2]
ELECTED (continued)				
	Libya	5,407		
	Maldives	270		
	Oman	881		
	Pakistan	5,713		
	Qatar	1,399		
	Somalia	692		
	Syrian Arab Republic	1,641		
	United Arab Emirates	2,276		
	Yemen, Republic of	1,455	39,276	4.13
C. Scott Clark (Canada)	Antigua and Barbuda	300		
Gabriel C. Noonan (Ireland)	Bahamas, The	914		
	Barbados	591		
	Belize	345		
	Canada	29,660		
	Dominica	290		
	Grenada	310		
	Ireland	3,684		
	Jamaica	1,705		
	St. Kitts and Nevis	295		
	St. Lucia	325		
	St. Vincent and the Grenadines	290	38,709	4.07
E. A. Evans (Australia)	Australia	16,442		
R. Lindsay Knight	Kiribati	275		
(New Zealand)	Korea	4,878		
	New Zealand	4,866		
	Papua New Guinea	909		
	Philippines	4,654		
	Seychelles	280		
	Solomon Islands	300		
	Vanuatu	340		
	Western Samoa	310	33,254	3.50
Ingimundur Fridriksson	Denmark	7,360		
(Iceland)	Finland	5,999		
Jon A. Solheim (Norway)	Iceland	846		
	Norway	7,240		
	Sweden	10,893	32,338	3.40
L. B. Monyake (Lesotho)	Angola	1,700		
L. J. Mwananshiku (Zambia)	Botswana	471		
	Burundi	677		
	Ethiopia	956		
	Gambia, The	421		
	Kenya	1,670		
	Lesotho	401		
	Liberia	963		
	Malawi	622		
	Mozambique	860		
	Namibia	950		
	Nigeria	8,745		
	Sierra Leone	829		
	Sudan	1,947		

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Percent of Fund Total[2]
ELECTED (continued)				
	Swaziland	497		
	Tanzania	1,320		
	Uganda	1,246		
	Zambia	2,953		
	Zimbabwe	2,160	29,388	3.09
G. K. Arora (India)	Bangladesh	3,125		
L. Eustace N. Fernando	Bhutan	275		
(Sri Lanka)	India	22,327		
	Sri Lanka	2,481	28,208	2.96
Alexandre Kafka (Brazil)	Brazil	14,863		
Juan Carlos Jaramillo	Colombia	4,192		
(Colombia)	Dominican Republic	1,371		
	Ecuador	1,757		
	Guyana	742		
	Haiti	691		
	Panama	1,272		
	Suriname	743		
	Trinidad and Tobago	1,951	27,582	2.90
J. E. Ismael (Indonesia)	Fiji	615		
Tanya Sirivedhin (Thailand)	Indonesia	10,347		
	Lao People's Democratic Republic	543		
	Malaysia	5,756		
	Myanmar	1,620		
	Nepal	623		
	Singapore	1,174		
	Thailand	4,116		
	Tonga	282		
	Viet Nam	2,018	27,094	2.85
CHE Peiqin (China) *WEI Benhua (China)*	China	24,159	24,159	2.54
Alejandro Vègh (Uruguay)	Argentina	11,380		
A. Guillermo Zoccali	Bolivia	1,157		
(Argentina)	Chile	4,655		
	Paraguay	734		
	Peru	3,559		
	Uruguay	1,888	23,373	2.46
Abbas Mirakhor	Afghanistan	1,117		
(Islamic Republic of Iran)	Algeria	6,481		
Omar Kabbaj (Morocco)	Ghana	2,295		
	Iran, Islamic Republic of	6,850		
	Morocco	3,316		
	Tunisia	1,632	21,691	2.28
Corentino V. Santos	Benin	563		
(Cape Verde)	Burkina Faso	566		
Yves-Marie T. Koissy	Cameroon	1,177		
(Côte d'Ivoire)	Cape Verde	295		
	Central African Republic	554		

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Percent of Fund Total[2]
ELECTED (concluded)				
	Chad	556		
	Comoros	295		
	Congo	623		
	Côte d'Ivoire	1,905		
	Djibouti	330		
	Equatorial Guinea	434		
	Gabon	981		
	Guinea	829		
	Guinea-Bissau	325		
	Madagascar	914		
	Mali	758		
	Mauritania	589		
	Mauritius	786		
	Niger	587		
	Rwanda	688		
	Sao Tome and Principe	290		
	Senegal	1,101		
	Togo	634		
	Zaïre	3,160	18,940	1.99
			939,618[3]	98.75[4]

[1]Voting power varies on certain matters pertaining to the General Department with use of the Fund's resources in that Department.

[2]Percentages of total votes (951,465) in the General Department and the SDR Department.

[3]This total does not include the votes of Cambodia, Mongolia, and South Africa, which did not participate in the 1990 Regular Election of Executive Directors. Also, Albania and Lithuania were not members at the time of the 1990 Regular Election. The combined votes of those members total 11,847—1.25 percent of those in the General Department and SDR Department.

[4]This figure may differ from the sum of the percentages shown for individual Directors because of rounding.

Changes in Membership of Executive Board

Changes in membership of the Executive Board between May 1, 1991 and April 30, 1992 were as follows:

Gerrit P. J. Hogeweg (Netherlands) resigned as Alternate Executive Director to G.A. Posthumus (Netherlands), effective July 28, 1991.

Zarko Trbojevic (Yugoslavia) was appointed as Alternate Executive Director to G.A. Posthumus (Netherlands), effective August 1, 1991.

Quincy M. Krosby (United States) was appointed as Alternate Executive Director to Thomas C. Dawson II (United States), effective August 5, 1991.

Koji Yamazaki (Japan) resigned as Executive Director for Japan, effective August 25, 1991.

Hiroo Fukui (Japan) was appointed Executive Director for Japan, effective August 26, 1991.

Naoki Tabata (Japan), previously Alternate Executive Director to Koji Yamazaki (Japan), was appointed as Alternate Executive Director to Hiroo Fukui (Japan), effective August 26, 1991.

DAI Quianding (China) resigned as Executive Director for China, effective September 4, 1991.

CHE Peiqin (China) was elected Executive Director for China, effective September 5, 1991.

ZHANG Zhixiang (China) was appointed as Alternate Executive Director to CHE Peiqin (China), effective September 5, 1991.

Jean-François Cirelli (France) resigned as Alternate Executive Director to Jean-Pierre Landau (France), effective September 25, 1991.

Isabelle Martel (France) was appointed as Alternate Executive Director to Jean-Pierre Landau (France), effective September 26, 1991.

Markus Fogelholm (Finland) resigned as Executive Director for Denmark, Finland, Iceland, Norway, and Sweden, effective October 31, 1991.

Ingimundur Fridriksson (Iceland), formerly Alternate Executive Director to Markus Fogelholm (Finland), was elected Executive Director for Denmark, Finland, Iceland, Norway, and Sweden, effective November 1, 1991.

Jon A. Solheim (Norway) was appointed as Alternate Executive Director to Ingimundur Fridriksson (Iceland), effective November 1, 1991.

ZHANG Zhixiang (China) resigned as Alternate Executive Director to CHE Peiqin (China), effective December 31, 1991.

WEI Benhua (China) was appointed as Alternate Executive Director to CHE Peiqin (China), effective January 17, 1992.

Nikos Kyriazidis (Greece) resigned as Alternate Executive Director to Renato Filosa (Italy), effective January 17, 1992.

Grant Spencer (New Zealand) resigned as Alternate Executive Director to E.A. Evans (Australia), effective February 2, 1992.

R. Lindsay Knight (New Zealand) was appointed as Alternate Executive Director to E.A. Evans (Australia), effective February 3, 1992.

Ioannis Papadakis (Greece) was appointed as Alternate Executive Director to Renato Filosa (Italy), effective February 10, 1992.

The following served at certain meetings of the Executive Board during 1991/92 as Temporary Alternate Executive Directors to the Executive Directors indicated:

Temporary Alternate Executive Director	Executive Director for Whom Temporary Alternate Served
John M. Abbott (*United States*)	Thomas C. Dawson II (*United States*)
Burhanuddin Abdullah (*Indonesia*)	J. E. Ismael (*Indonesia*)
John O. Aderibigbe (*Nigeria*)	L. B. Monyake (*Lesotho*)
Meekal A. Ahmed (*Pakistan*)	Mohamed Finaish (*Libya*)
T. S. Allouba (*Egypt*)	Mohamed Finaish (*Libya*)
José Roberto Novaes de Almeida (*Brazil*)	Alexandre Kafka (*Brazil*)
David Barr (*United Kingdom*)	David Peretz (*United Kingdom*)
Taye Berrihun (*Ethiopia*)	L. B. Monyake (*Lesotho*)
George Bindley-Taylor (*Trinidad and Tobago*)	Alexandre Kafka (*Brazil*)
Patrice Bonzom (*France*)	Jean-Pierre Landau (*France*)
Biagio Bossone (*Italy*)	Renato Filosa (*Italy*)
Luis E. Breuer (*Paraguay*)	Alejandro Végh (*Uruguay*)
Mohamed Bahaa Chatah (*Lebanon*)	Mohamed Finaish (*Libya*)
CHEN Minqiang (*China*)	DAI Qianding (*China*) CHE Peiqin (*China*)
Jean-François Cirelli (*France*)	Jean-Pierre Landau (*France*)
José Antonio Costa (*Argentina*)	Alejandro Végh (*Uruguay*)
Susan B. Creane (*United States*)	Thomas C. Dawson II (*United States*)
Cao Doc Cuong (*Viet Nam*)	J. E. Ismael (*Indonesia*)
Mercedes Da Costa (*Venezuela*)	Angel Torres (*Spain*)
DENG Haibin (*China*)	DAI Quianding (*China*) CHE Peiqin (*China*)
Hubert Dognin (*France*)	Jean-Pierre Landau (*France*)

Temporary Alternate Executive Director	Executive Director for Whom Temporary Alternate Served
DUAN Jining (*China*)	DAI Qianding (*China*)
	CHE Peiqin (*China*)
Thomas P. Enger (*United States*)	Muhammad Al-Jasser (*Saudi Arabia*)
Nestor A. Espenilla, Jr. (*Philippines*)	E. A. Evans (*Australia*)
Antonio Fanna (*Italy*)	Renato Filosa (*Italy*)
Salam K. Fayyad (*Jordan*)	Mohamed Finaish (*Libya*)
B. R. Fuleihan (*United Kingdom*)	Muhammad Al-Jasser (*Saudi Arabia*)
M. Galán (*Mexico*)	Angel Torres (*Spain*)
M. A. Ghavam (*Iran, Islamic Republic of*)	Abbas Mirakhor (*Iran, Islamic Republic of*)
Alessandro Giustiniani (*Italy*)	Renato Filosa (*Italy*)
Hassan Golriz (*Iran, Islamic Republic of*)	Abbas Mirakhor (*Iran, Islamic Republic of*)
Audun Gronn (*Norway*)	Markus Fogelholm (*Finland*)
	Ingimundur Fridriksson (*Iceland*)
S. Gurumurthi (*India*)	G. K. Arora (*India*)
Mohamed Ali Hammoudi (*Iran, Islamic Republic of*)	Abbas Mirakhor (*Iran, Islamic Republic of*)
Mary Elizabeth Hansen (*United States*)	Thomas C. Dawson II (*United States*)
Victoria Harris (*United Kingdom*)	David Peretz (*United Kingdom*)
Oussama A. Himani (*Lebanon*)	Mohamed Finaish (*Libya*)
K. Ichikawa (*Japan*)	Koji Yamazaki (*Japan*)
Koichi Ishikura (*Japan*)	Koji Yamazaki (*Japan*)
	Hiroo Fukui (*Japan*)
Abdel Rehman Ismael (*Mauritius*)	Corentino Santos (*Cape Verde*)
James Jamnik (*Canada*)	C. Scott Clark (*Canada*)
Christopher J. Jarvis (*United Kingdom*)	David Peretz (*United Kingdom*)
Jiri Jonas (*Czechoslovakia*)	Jacques de Groote (*Belgium*)
J. Mills Jones (*Liberia*)	L. B. Monyake (*Lesotho*)
Prafulla Kumar Kafle (*Nepal*)	J. E. Ismael (*Indonesia*)
Planinko Kapetanović (*Yugoslavia*)	G. A. Posthumus (*Netherlands*)
Kwassivi Kpetigo (*Togo*)	Corentino V. Santos (*Cape Verde*)
Tuseno-Minu Kudiwu (*Zaïre*)	Corentino V. Santos (*Cape Verde*)
Vural Kural (*Turkey*)	Jacques de Groote (*Belgium*)
Wolfgang Laux (*Germany*)	Bernd Goos (*Germany*)
Young-Hoi Lee (*Korea*)	E.A. Evans (*Australia*)
Gillian Lindsay-Nanton (*St. Vincent and the Grenadines*)	C. Scott Clark (*Canada*)
J. Mafararikwa (*Zimbabwe*)	L. B. Monyake (*Lesotho*)
Ernesto Martínez-Alas (*El Salvador*)	Angel Torres (*Spain*)
Jean-Luc Menda (*France*)	Jean-Pierre Landau (*France*)
Raphael Meron (*Israel*)	G.A. Posthumus (*Netherlands*)
Mohammad Jafar Mojarrad (*Iran, Islamic Republic of*)	Abbas Mirakhor (*Iran, Islamic Republic of*)
León J. Morelli (*Uruguay*)	Alejandro Végh (*Uruguay*)
Frank Moss (*Belgium*)	Jacques de Groote (*Belgium*)
M. Mrakovcic (*Australia*)	E.A. Evans (*Australia*)
James A.K. Munthali (*Malawi*)	L.B. Monyake (*Lesotho*)
Makoto Nakagawa (*Japan*)	Koji Yamazaki (*Japan*)
	Hiroo Fukui (*Japan*)
Analia Napky (*Honduras*)	Angel Torres (*Spain*)
Jean-Christian Obame (*Gabon*)	Corentino V. Santos (*Cape Verde*)
Luis Fernando Ochoa (*Chile*)	Alejandro Végh (*Uruguay*)
John Kobina Orleans-Lindsay (*Ghana*)	Corentino V. Santos (*Cape Verde*)
Yasmin Patel (*Mozambique*)	L.B. Monyake (*Lesotho*)
Dorothy Powell (*Canada*)	C. Scott Clark (*Canada*)
Robert Powell (*United Kingdom*)	David Peretz (*United Kingdom*)

Temporary Alternate Executive Director	Executive Director for Whom Temporary Alternate Served
Enzo Quattrociocche (*Italy*)	Renato Filosa (*Italy*)
Felix Armando Quirós (*Panama*)	Alexandre Kafka (*Brazil*)
A. Raza (*India*)	G.K. Arora (*India*)
Leonardo Rodríguez (*Spain*)	Angel Torres (*Spain*)
Sadok Rouai (*Tunisia*)	Abbas Mirakhor (*Iran, Islamic Republic of*)
Patricio L. Rubianes (*Ecuador*)	Alexandre Kafka (*Brazil*)
Daniel Saha (*Cameroon*)	Corentino V. Santos (*Cape Verde*)
Bawwirou A. Sarr (*Mauritania*)	Corentino V. Santos (*Cape Verde*)
Ciro Schioppa (*Italy*)	Renato Filosa (*Italy*)
Jean-Pierre Schoder (*Luxembourg*)	Jacques de Groote (*Belgium*)
SHAO Zhengkang (*China*)	DAI Quianding (*China*)
Shigei Shimizu (*Japan*)	Koji Yamazaki (*Japan*) Hiroo Fukui (*Japan*)
Frixos Antonios Sorokos (*Cyprus*)	G. A. Posthumus (*Netherlands*)
Duncan Sparkes (*United Kingdom*)	David Peretz (*United Kingdom*)
Nasarudin Sulaiman (*Malaysia*)	J. E. Ismael (*Indonesia*)
Bea Szombati (*Hungary*)	Jacques de Groote (*Belgium*)
Alexandru M. Tanase (*Romania*)	G.A. Posthumus (*Netherlands*)
Rupert Thorne (*United Kingdom*)	David Peretz (*United Kingdom*)
Norbert Toé (*Burkina Faso*)	Corentino V. Santos (*Cape Verde*)
Christopher M. Towe (*Canada*)	C. Scott Clark (*Canada*)
Jan Willem van der Kaaij (*Netherlands*)	G. A. Posthumus (*Netherlands*)
Stephan von Stenglin (*Germany*)	Bernd Goos (*Germany*)
Jacobus C. Westerweel (*Netherlands*)	G. A. Posthumus (*Netherlands*)
Tin Win (*Myanmar*)	J. E. Ismael (*Indonesia*)

Administrative and Capital Budgets

Administrative Budget as Approved by the Executive Board for the Financial Year Ending April 30, 1993 Compared with Actual Expenses for the Financial Years Ended April 30, 1991 and April 30, 1992 and Capital Budget as Approved by the Executive Board for Capital Projects Beginning in Financial Year 1993

(Values expressed in thousands of U.S. dollars)[1]

	Financial Year Ended April 30, 1991	Financial Year Ended April 30, 1992	Financial Year Ending April 30, 1993
	Actual Expenses	Actual Expenses	Budget
ADMINISTRATIVE BUDGET			
I. Personnel Expenses			
Salaries	136,484	153,093	176,080
Other personnel expenses	59,349	82,893	97,185
Subtotal	195,833	235,987	273,265
II. Travel Expenses			
Business travel	23,725	36,141	31,205
Other travel	16,592	18,209	20,915
Subtotal	40,317	54,350	52,120
III. Other Administrative Expenses			
Communications	7,557	7,462	9,610
Building occupancy	18,760	21,819	30,040
Books and printing	5,221	5,876	7,235
Supplies and equipment	4,976	6,392	9,370
Data processing	14,384	18,257	14,400
Miscellaneous	4,896	4,936	8,190
Subtotal	55,794	64,742	78,845
IV. Reimbursements	(13,082)	(17,012)	(17,390)
TOTAL ADMINISTRATIVE BUDGET	278,862	338,067	386,840
Total Administrative Budget in SDRs	201,515	247,454	280,109
Less: Reimbursement for administering the SDR Department	(3,700)	(4,100)	(4,700)
Reimbursement for administering the SAF/ESAF	(11,900)	(15,300)	(18,100)
Net Administrative Budget Expenses in SDRs[2]	185,915	228,054	257,309

	Capital Projects Beginning in FY 1993
CAPITAL BUDGET	
Building Space Facilities	
Headquarters	1,000
Other locations	150
	1,150
Equipment Systems	
Computing	6,320
TOTAL CAPITAL BUDGET	7,470
Total Capital Budget in SDRs	5,409

[1] Due to rounding, details may not add to total.

[2] Net administrative budget expenses exclude fixed property expenditures, which are approved in separate capital budgets and a valuation gain or loss on administrative currency holdings. For the financial year ended April 30, 1992, fixed property expenditures were SDR 4,086,281 and the valuation loss on administrative currency holdings was SDR 80,829.

Financial Statements

REPORT OF THE EXTERNAL AUDIT COMMITTEE

Washington, D.C.
June 25, 1992

Authority and Scope of the Audit

In accordance with Section 20(b) of the By-Laws of the International Monetary Fund, we have audited the financial statements of the Fund covering the

- General Department for the year ended April 30, 1992,
- SDR Department for the year ended April 30, 1992, and
- Accounts Administered by the Fund, for the year ended April 30, 1992, which consist of the:

1. Enhanced Structural Adjustment Facility Trust,
2. Enhanced Structural Adjustment Facility Administered Accounts:
   — Austria,
   — Belgium,
   — Greece,
   — Saudi Fund for Development (SFD) Special Account (for the period July 31, 1991 to April 30, 1992),
3. Trust Fund,
4. Supplementary Financing Facility Subsidy Account,
5. Other Administered Accounts:
   — Administered Account—Guyana,
   — Administered Account—Japan,
   — Administered Technical Assistance Account—Japan,
   — Voluntary Contribution Account—Bolivia,
   — Administered Account—Panama (for the period January 28, 1992 to March 20, 1992).

Our audit was conducted in accordance with generally accepted auditing standards and included reviews of accounting and internal control systems, and tests of the accounting records. We evaluated the extent and results of the work of the outside accounting firm as well as that of the Office of Internal Audit and Review and also used other audit procedures as deemed necessary.

Audit Opinion

In our opinion the financial statements of the General Department (including the related supplemental schedules one to four), the SDR Department, and the Accounts administered by the Fund have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year (except in the case of the Administered Account—Panama which was in operation for the period January 28, 1992 to March 20, 1992 and the Saudi Fund for Development (SFD) Special Account which commenced operations on July 31, 1991) and give a true and fair view of the respective financial positions and the allocations and holdings of SDRs as at April 30, 1992 and of the financial results of operations and transactions during the respective periods.

In connection with our examination of the Voluntary Contribution Account, in our opinion the operation of the Account of Bolivia has been conducted in accordance with the Instrument establishing the Account.

EXTERNAL AUDIT COMMITTEE:

/s/ Jean-Louis Berthet, Chairman (*France*)
/s/ Jayechund Jingree (*Mauritius*)
/s/ Pablo Zegarra (*Bolivia*)

GENERAL DEPARTMENT

BALANCE SHEET

as at April 30, 1992

(In thousands of SDRs)

(Note 1)

	1992	1991
ASSETS		
GENERAL RESOURCES ACCOUNT		
Currencies and securities (Notes 2 and 5)	92,719,917	92,153,834
SDR holdings (Note 3)	680,338	694,280
Gold holdings (Note 4)	3,620,396	3,620,396
Charges receivable and accrued (Note 5)	1,603,520	1,543,586
Borrowed resources held in suspense (Note 7)	—	796,688
Interest receivable on SDR holdings	13,267	13,792
Quota subscription receivable	69,000	25,000
Other assets	40,718	32,084
TOTAL GENERAL RESOURCES ACCOUNT	98,747,156	98,879,660
SPECIAL DISBURSEMENT ACCOUNT		
Interest-earning and currency deposits	680,675	831,556
Structural adjustment facility loans	1,864,596	1,728,488
Accrued income on investments and loans	26,112	35,136
TOTAL SPECIAL DISBURSEMENT ACCOUNT	2,571,383	2,595,180
TOTAL GENERAL DEPARTMENT	101,318,539	101,474,840
QUOTAS, RESERVES, LIABILITIES, AND RESOURCES		
GENERAL RESOURCES ACCOUNT		
Quotas (Note 2)		
Subscriptions of Members	91,221,550	91,127,550
Reserves (Note 6)	1,556,752	1,466,826
Special Contingent Accounts (Note 5)	656,632	426,959
Liabilities		
Borrowing (Note 7)	3,710,000	4,300,000
Remuneration payable (Note 5)	210,452	250,150
Accrued interest on borrowing	59,725	82,461
Other liabilities and deferred credits	150,338	147,462
	4,130,515	4,780,073
Deferred income from charges (Note 5)	1,181,707	1,078,252
TOTAL GENERAL RESOURCES ACCOUNT	98,747,156	98,879,660
SPECIAL DISBURSEMENT ACCOUNT		
Accumulated resources	2,570,314	2,594,838
Deferred income	1,069	342
TOTAL SPECIAL DISBURSEMENT ACCOUNT	2,571,383	2,595,180
TOTAL GENERAL DEPARTMENT	101,318,539	101,474,840

The accompanying notes and Schedules 1–4 are an integral part of the financial statements.

/s/ David Williams
Treasurer

/s/ M. Camdessus
Managing Director

GENERAL DEPARTMENT

STATEMENT OF INCOME AND EXPENSE

for the year ended April 30, 1992

(In thousands of SDRs)

(Note 1)

	1992	1991
GENERAL RESOURCES ACCOUNT		
OPERATIONAL INCOME (Note 5)		
Periodic and special charges	1,707,978	1,824,627
Additional charges, net of refunds	127,753	114,598
Deduct: Income deferred, net	(100,339)	(114,510)
	1,735,392	1,824,715
Interest on SDR holdings (Note 3)	56,942	70,877
Service charges	26,472	31,240
Stand-by charges and other income	3,728	3,014
	1,822,534	1,929,846
OPERATIONAL EXPENSE		
Remuneration (Note 5)	1,152,812	1,314,095
Reduction of remuneration, net of returns (Note 5)	(168,649)	(173,597)
	984,163	1,140,498
Interest on borrowing, net (Note 7)	286,551	317,940
Allocation to the Special Contingent Accounts (Note 5)	229,673	212,143
	1,500,387	1,670,581
NET OPERATIONAL INCOME	322,147	259,265
ADMINISTRATIVE EXPENSE (Notes 1 and 9)	232,221	189,416
NET INCOME OF GENERAL RESOURCES ACCOUNT	89,926	69,849
SPECIAL DISBURSEMENT ACCOUNT		
Investment income	62,534	74,746
Interest and special charges	8,232	8,128
	70,766	82,874
Administrative expense (Note 9)	15,300	11,900
Exchange valuation loss	6	221
NET INCOME OF SPECIAL DISBURSEMENT ACCOUNT	55,460	70,753

The accompanying notes and Schedules 1–4 are an integral part of the financial statements.

GENERAL DEPARTMENT

STATEMENT OF CHANGES IN RESERVES AND RESOURCES

for the year ended April 30, 1992

(In thousands of SDRs)

(Note 1)

	1992	1991
RESERVES—GENERAL RESOURCES ACCOUNT		
SPECIAL RESERVE (Note 6)		
Balance at beginning of the year	1,101,246	1,031,397
Net income	89,926	69,849
Balance at end of the year	1,191,172	1,101,246
GENERAL RESERVE (Note 6)		
Balance at beginning and end of the year	365,580	365,580
TOTAL RESERVES OF THE GENERAL RESOURCES ACCOUNT	1,556,752	1,466,826
RESOURCES—SPECIAL DISBURSEMENT ACCOUNT		
Balance at beginning of the year	2,594,838	2,433,312
Transfers from Trust Fund	1,115	171,633
Transfers from SFF Subsidy Account	1,227	6,387
Transfers to ESAF Trust	(82,326)	(87,247)
	2,514,854	2,524,085
Net income	55,460	70,753
TOTAL RESOURCES OF THE SPECIAL DISBURSEMENT ACCOUNT	2,570,314	2,594,838

The accompanying notes and Schedules 1–4 are an integral part of the financial statements.

GENERAL DEPARTMENT

NOTES TO THE FINANCIAL STATEMENTS

General Department

The General Department consists of the General Resources Account, the Special Disbursement Account, and the Investment Account. The Investment Account had not been activated at April 30, 1992. The Borrowed Resources Suspense Accounts were established in May 1981 within the General Department.

General Resources Account

Assets held in the General Resources Account comprise (i) currencies of the Fund's member countries (including securities), (ii) SDR holdings, and (iii) gold.

The Fund makes its resources available to its members in accordance with policies on the use of its resources by selling to members, in exchange for their own currency, SDRs, or currencies of other members. When members make purchases, they incur an obligation to repurchase the Fund's holdings of their currencies, within the periods specified by the Fund, by the payment to the Fund of SDRs, or the currencies of other members specified by the Fund. The Fund's policies on the use of its resources are intended to assure that use is temporary and will be reversed within time periods specified by the Fund.

The composition of the Fund's holdings of members' currencies changes as a result of the Fund's transactions, including purchases and repurchases. The caption "Currencies and securities" in the Balance Sheet reflects holdings of currencies or notes payable on demand that substitute for the member's currency, including those of members that make use of the Fund's resources and those used to finance the Fund's operations and transactions.

A member has a reserve tranche in the Fund to the extent that the Fund's holdings of its currency, excluding holdings that reflect the member's use of Fund credit, are less than the member's quota. A member's reserve tranche is regarded as a part of the member's external reserves, which it may draw at any time when it represents that it has a need. Reserve tranche purchases are not regarded as a use of Fund credit.

A member is entitled to repurchase at any time holdings of its currency on which the Fund levies charges and is expected to make repurchases prior to the scheduled periods as and when its balance of payments and reserve position improves.

Borrowed Resources Suspense Accounts

Borrowed Resources Suspense Accounts have been established in order to hold, transfer, convert, and invest currencies borrowed by the Fund (i) before they are transferred to the General Resources Account for use in transactions or (ii) when received in repurchases before repayments to lenders can be made. As far as practicable, these currencies are invested in SDR-denominated obligations.

Special Disbursement Account

The Special Disbursement Account, on June 30, 1981, began receiving transfers (repayments of loans and interest) from the Trust Fund, which is in the process of being wound up. Within the Special Disbursement Account, a structural adjustment facility (SAF) was established in March 1986 to provide balance of payments assistance to qualifying low-income developing members.

Pending their use, the resources held in the Special Disbursement Account are placed in SDR-denominated investments. Prior to investment, balances may be placed temporarily in U.S. dollar-denominated investments. Thus, there may be valuation gains and losses in terms of the SDR on these resources from the time they are received until they can be invested in SDR-denominated investments.

The Special Disbursement Account is a part of the General Department of the Fund. However, the assets and income of the account are to be held separate from other accounts of the General Department. The Special Disbursement Account transfers the following resources to the Reserve Account of the Enhanced Structural Adjustment Facility Trust (ESAF Trust): (i) all income received from the investment of the resources available for the structural adjustment facility; (ii) all interest received, including special charges, on loans under the structural adjustment facility; (iii) all repayments of loans under the structural adjustment facility; and (iv) all the resources held in the Special Disbursement Account that are derived from the termination of the Trust Fund and that can no longer be used under the structural adjustment facility. The ESAF Trust is administered by the Fund to provide loans on concessional terms to eligible members to support programs to strengthen substantially and in a sustainable manner their balance of payments position and to foster growth. Resources of the ESAF Trust Reserve Account that are determined to be in excess of its estimated needs are to be retransferred to the Special Disbursement Account. Upon liquidation of the ESAF Trust, the amounts remaining in the Reserve Account after the discharge of remaining liabilities shall be transferred to the Special Disbursement Account. Transfers to the ESAF Trust Reserve Account commenced in March 1988.

1. Accounting Practices

The accounts of the General Department are expressed in terms of the SDR. The currency value of the SDR is determined by the Fund each day by summing the values in U.S. dollars, based on market exchange rates, of a basket of five currencies. The Fund's procedures require that the SDR valuation basket be reviewed every five years, and that the basket include the currencies of the members having the largest exports of goods and services during the five-year period ending one year prior to the date of the revisions. The currencies comprising the basket and their amounts in the basket are as follows:

Currencies	Amounts
U.S. dollar	0.572
Deutsche mark	0.453
Japanese yen	31.8
French franc	0.800
Pound sterling	0.0812

Members' currencies are valued in terms of the SDR on the basis of the representative rate of exchange determined in accordance with the Rules of the Fund.

The Fund maintains its accounts on the accrual basis and, accordingly, recognizes income as it is earned and records expenses as they are incurred, except that income from charges from members that are overdue in their obligations to the Fund by six months or more is deferred and is recognized as income only when paid unless the member has remained current in settling charges when due (see, however, discussion of deferred charges in Note 5). It is the practice of the Fund to make all calculations on the basis of the exact number of days in the accounting period.

The established policy of the Fund is to charge as an expense of each accounting period the total costs incurred for fixed property, furniture, and equipment. The costs, including the acquisition of land, land improvements, and design costs of a proposed extension of the building are accumulated in an asset account pending completion of the project (SDR 15.5 million and SDR 13.5 million in 1992 and 1991, respectively). For the year ended April 30, 1992, the cost of building improvements and equipment in excess of $100,000 amounted to SDR 1 million (SDR 4 million in 1991). The total accumulated cost of land and buildings, excluding the cost of the extension which is included under Other assets, amounts to SDR 105 million (SDR 102 million in 1991).

2. Quotas, Currencies, and Securities

Each member has been required to pay to the Fund the amount of its initial quota and subsequent increases partly in the member's own currency and the remainder in the form of reserve assets, except that in 1978 members were permitted to pay the entire increase in their own currencies. A member's quota is not increased until the member consents to the increase and pays the subscription. Each member has the option to substitute nonnegotiable and non-interest-bearing securities for the amount of its currency held by the Fund in the General Resources Account that is in excess of $^1/_4$ of 1 percent of the member's quota. These securities, which are part of the Fund's currency holdings, are encashable by the Fund on demand.

Following the Ninth General Review of Quotas, the Fund's quotas will increase by 50 percent. This quota increase will take effect when three fifths of the Fund's members having 85 percent of the total voting power have adopted an amendment to the Fund's Articles authorizing the Fund to suspend voting and other related rights of members that do not fulfill their obligations under the Articles. During 1992 the Fund's membership increased by two countries (Albania and Lithuania).

The conditions for membership of the states of the former Soviet Union were approved, and resolutions recommending their membership were adopted by the Board of Governors in May 1992. Prior to June 18, 1992 six of the former Soviet states (Armenia, Estonia, Georgia, Kyrghyzstan, Latvia, and Russian Federation), and the Marshall Islands, and Switzerland became members. Also, during 1992 applications for membership were received from the Republics of Croatia, Slovenia, and Bosnia-Hercegovina, and the Federated States of Micronesia.

Changes in the Fund's holdings of members' currencies and securities for the year ended April 30, 1992 were as follows:

	April 30, 1992	April 30, 1991	Net Change
	In millions of SDRs		
Members' quotas	91,222	91,128	94
Less quota subscription receivable	(69)	(25)	(44)
	91,153	91,103	50
Members' use of Fund resources	23,432	22,906	526
Members' reserve tranche positions	(21,869)	(21,855)	(14)
Administrative currency balances	4	—	4
Currencies and securities	92,720	92,154	566

Each member is obligated to maintain the value of the balances of its currency held by the Fund in terms of the SDR except for holdings that may be held in Borrowed Resources Suspense Accounts, the Special Disbursement Account, and the Investment Account. Whenever the Fund revalues its holdings of a member's currency, an account receivable or an account payable is established for the amount of currency payable by or to the member in order to maintain the value of the Fund's holdings of the currency in terms of the SDR. The balances of the accounts receivable or payable are reflected in the Fund's total currency holdings. At April 30, 1992, when all holdings of currency of members were revalued, accounts receivable to maintain SDR values of currency holdings amounted to SDR 11,012.3 million and accounts payable amounted to SDR 494.5 million (SDR 14,383.8 million and SDR 422.9 million, respectively at April 30, 1991). At June 18, 1992 the amounts receivable were SDR 8,247.5 million and the amounts payable were SDR 476.1 million.

The Fund's holdings of members' currencies at April 30, 1992 are shown in Schedule 1.

3. SDR Holdings

SDRs are reserve assets created by the Fund and allocated to members participating in the SDR Department. Although SDRs are not allocated to the Fund, the Fund may acquire, hold, and dispose of SDRs through the General Resources Account. SDRs held by the Fund are received from its members in the settlement of their financial obligations to the Fund and may be used by the Fund in transactions and operations between the Fund and its members (sold to members in purchases or transferred to members in the settlement of remuneration and interest on Fund borrowing). The Fund earns interest on its SDR holdings at the same rate as all other holders of SDRs.

4. Gold Holdings

At April 30, 1992 and 1991, the Fund held 3,217,341 kilograms of gold at designated depositories. Gold held by the Fund is valued on the basis that SDR 1 is equivalent to 0.888671 gram of fine gold, which is equivalent to SDR 35 per fine ounce.

5. Fund Operations

For the year ended April 30, 1992, members' purchases amounted to SDR 5,294 million. Over the same period, repurchases by members totaled SDR 4,768 million. Members' purchases subject to repurchase are shown in Schedule 2.

The outstanding use of Fund credit under various facilities and changes during the year ended April 30, 1992 were as follows:

	April 30, 1991	Purchases	Repurchases	April 30, 1992
		In millions of SDRs		
Regular facilities	5,196	1,796	1,123	5,869
Compensatory and contingency financing	5,142	1,381	1,201	5,322
Extended Fund facility	5,823	786	1,026	5,583
Supplementary financing facility	269	—	9	260
Enlarged access	6,476	1,331	1,409	6,398
Total	22,906	5,294	4,768	23,432

Periodic Charges

The Fund levies charges, which are payable periodically, on its holdings of a member's currency that derive from the members' use of Fund credit. At the beginning of each financial year the rate of charge on the use of the Fund's own resources is set to attain a positive net income after considering the Fund's estimated income and expense. This rate is adjusted to compensate the Fund for income forgone as a result of the deferral of charges and to finance the additions to Special Contingent Accounts, which are further discussed below. A rate based on the average cost of borrowing is levied in the use of resources financed by the Fund's borrowing. Special charges are levied under certain circumstances on holdings that are not repurchased when due and on charges that are not settled when due. A service charge is also levied by the Fund on each purchase involving a use of Fund credit. The Fund also charges a stand-by fee under a stand-by or extended arrangement, which is refunded proportionally to purchases made under an arrangement. If the full amount of an arrangement is not drawn, the balance of the stand-by fee is taken into income by the Fund upon the expiration of the arrangement. Stand-by fees included in other income for the year ended April 30, 1992 amounted to SDR 3.7 million (SDR 3 million in 1991).

At April 30, 1992, the total holdings on which the Fund levied charges amounted to SDR 23,432 million (SDR 22,906 million in 1991).

Remuneration

The Fund pays remuneration on a member's remunerated reserve tranche position. The rate of remuneration is equal to the SDR interest rate and is adjusted within limits to compensate the Fund for income forgone as a result of deferred charges and to finance the additions to the Special Contingent Accounts. A remunerated reserve tranche position is the amount by which the Fund's holdings of a member's currency (excluding holdings that derive from the use of Fund credit) is below the member's norm.

The total creditor positions at April 30, 1992 on which the Fund paid remuneration amounted to SDR 16,275 million (SDR 16,269 million in 1991).

Overdue Obligations

At April 30, 1992, ten members were six months or more overdue to the Fund (nine members in 1991); nine of these members were overdue to the General Department (nine in 1991). Credit extended to these members through the General Resources Account and the Special Disbursement Account, including SAF loans amounted to SDR 2,463 million as of April 30, 1992 (SDR 2,353 million as of April 30, 1991). Four of these members (Peru, Sierra Leone, Viet Nam, and Zambia) have been settling obligations as they fall due and are to varying degrees formulating and implementing economic adjustment programs that could lead to the settlement of their arrears. Overdue repurchases and charges of the nine members (nine in 1991) that were six months or more overdue to the General Department were as follows:

	Repurchases 1992	Repurchases 1991	Charges 1992	Charges 1991
		In millions of SDRs		
Total overdue	2,152	2,165	1,122	1,006
Overdue for six months or more	2,112	2,111	1,045	921
Overdue for three years or more	1,682	1,339	578	391

The type and duration of the arrears of these members are as follows:

Member	Repurchases	Charges and SAF Interest	Total	Longest Overdue Obligation
		In millions of SDRs		
Cambodia	18.7	12.2	30.9	March 1975
Liberia	201.6	141.9	343.5	January 1985
Peru	447.8	175.0	622.8	December 1985
Sierra Leone	48.6	27.8	76.4	January 1987
Somalia	90.8	44.2	135.0	July 1987
Sudan	604.3	397.8	1,002.1	July 1984
Viet Nam	28.4	22.2	50.6	February 1984
Zaïre	83.2	15.8	99.0	February 1991
Zambia	628.4	285.5	913.9	June 1986
Total	2,151.8	1,122.4	3,274.2	

Income Deferred

It is the policy of the Fund to exclude from current income charges owed by members that are six months or more overdue in meeting payments to the Fund unless the member is current in the payment of charges. Charges subsequently accrued will also be excluded from income unless the member becomes current in the payment of charges. Charges excluded from income are recorded as deferred charges and deferred income. Charges due and accrued by members that are six months or more overdue and that have been deferred amounted to SDR 1,182 million at the end of 1992 (SDR 1,078 million as at 1991).

Effective May 1, 1986, the Fund adopted a policy under which debtor and creditor members share the financial consequences of overdue obligations. An amount equal to deferred charges (excluding special charges) is generated each quarter by an adjustment of the rate of charge and the rate of remuneration. However, the average rate of remuneration is not to be reduced below 85 percent of the SDR interest rate for the financing of deferred charges and the first Special Contingent Account. The amounts received in settlement of overdue charges are distributed to members that paid additional charges or received reduced remuneration when (and to the extent that) deferred charges that gave rise to adjustments are paid. The cumulative amount of deferred charges outstanding that have arisen subsequent to May 1, 1986, and have resulted in adjustments to charges and remuneration, amounts to SDR 878 million (SDR 808 million as at April 30, 1991).

During the year ended April 30, 1992, new deferred charges increased by SDR 251 million (SDR 118 million in 1991), of which SDR 54 million (SDR 46 million in 1991) were deferred special charges. During the same period, settlements of deferred charges amounted to SDR 151 million (SDR 184 million in 1991). Including the adjustments described in the following paragraphs, an amount of SDR 296 million (SDR 288 million in 1991) was recorded as additional periodic charges and reduced remuneration during the same period.

Special Contingent Accounts

In view of the existence of protracted overdue obligations, the Fund accumulates precautionary balances, inter alia, in the Special Contingent Accounts. At April 30, 1992, these balances amounted to SDR 656.6 million and were held in the first and second Special Contingent Accounts (SCA-1 and SCA-2). A total of SDR 358 million was held in the SCA-1 (SDR 284.7 million in 1991) and SDR 298.6 million was held in the SCA-2 (SDR 142.3 million in 1991) as of April 30, 1992. Precautionary balances held in the first Special Contingent Account are financed by quarterly adjustments to the rate of charge and the rate of remuneration, and balances in the SCA-1 are to be distributed to the members that shared the cost of financing it when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide.

The SCA-2 became effective on July 1, 1990 (as part of the strengthened cooperative strategy) and it is designed to accumulate SDR 1 billion. It is financed by a further adjustment to the rate of charge and to the rate of remuneration, subject to the floor to the rate of remuneration of 80 percent of the SDR interest rate. The amounts thus accumulated are to safeguard purchases made under a successor arrangement after a rights accumulation program has been successfully completed by members with protracted arrears to the Fund at the end of 1989, while at the same time providing additional liquidity to assist in the financing of such purchases. Refunds of contributions are to be made upon full repayment to the Fund of the use of such credit or at such earlier date as the Fund may determine.

Strengthened Cooperative Strategy

In March 1990, the Fund agreed on a strengthened cooperative strategy aimed at resolving the issue of overdue obligations to the Fund. Three major elements form the basis of the cooperative strategy, namely, (i) preventative measures; (ii) remedial and deterrent measures; and (iii) intensified collaboration and the rights approach. Under the intensified collaborative approach, the Fund has developed the technique of Fund-monitored programs and rights accumulation programs, which permit a member with protracted arrears to the Fund to establish a track record of performance related to policy implementation and payments. A rights accumulation program allows the member to earn rights toward future financing through the implementation of a comprehensive economic program. Rights would be encashed under a successor arrangement after clearance of arrears and when all the requirements for that successor arrangement are met.

6. Reserves

The Fund determines annually what part of its net income shall be placed to the General Reserve or to the Special Reserve, and what part, if any, shall be distributed. The Articles of Agreement permit the Fund to use the Special Reserve for any purpose for which it may use the General Reserve, except distribution. An administrative deficit for any financial year must be charged first against the Special Reserve.

7. Borrowing

Outstanding borrowing by the Fund was as follows:

	April 30, 1991	Borrowing	Repayment	April 30, 1992
		In millions of SDRs		
Enlarged access	1,300	—	575	725
Other	3,000	—	15	2,985
Total	4,300	—	590	3,710

Scheduled repayments of outstanding borrowing by the Fund are shown in Schedule 3.

Enlarged Access

The policy on enlarged access became operational in May 1981. The Fund entered into borrowing agreements under which the lenders made resources equal to SDR 13,475 million available to the Fund to finance purchases by members under the policy. The maturities of borrowing by the Fund under these agreements has varied from two to seven years. Interest on amounts borrowed is at variable rates of interest, which are established periodically, and are related to market interest rates, based on Eurocurrency deposit rates and weighted average yields of domestic instruments denominated in the five currencies in the SDR valuation basket. After full use of the borrowing agreements, the Fund in September 1990, decided that ordinary resources would be substituted to meet commitments of borrowed resources in financing purchases under arrangements approved under the enlarged access policy.

Bilateral Arrangements with Japan

In December 1986, the Fund and the Government of Japan agreed to an arrangement under which Japan has made available to the Fund SDR 3 billion, to help finance the Fund's support of adjustment programs of member countries. Calls were made by the Fund over a period of four years until this borrowing was fully drawn by the end of March 1991. The final maturity of each call is five years from the initial date of the call. Interest on amounts borrowed is based on the weighted average of six-month domestic interest rates in the countries that make up the currency basket of the SDR.

General Arrangements to Borrow

Under the General Arrangements to Borrow (GAB) and an associated agreement with a nonparticipant to the GAB, the Fund may borrow up to SDR 18.5 billion when supplementary resources are needed to forestall or to cope with an impairment of the international monetary system. The GAB became effective on October 24, 1962 and has been renewed until December 25, 1993.

Borrowed Resources Suspense Accounts

At April 30, 1992, there were no borrowed resources held in suspense pending disbursement (SDR 796 million at April 30, 1991). The income derived from these temporary investments amounted to SDR 20 million in 1992 (SDR 7 million in 1991).

8. Arrangements Under the General Department

At April 30, 1992, 44 arrangements were in effect and undrawn balances under these arrangements amounted to SDR 10,245 million. These arrangements are listed in Schedule 4.

9. Administrative Expenses

In 1992, the Fund incurred administrative expenses, for personnel (SDR 172.4 million), travel (SDR 39.1 million), and other administrative needs (SDR 20.8 million), approved by the Executive Board within the administrative budgets. The General Resources Account is reimbursed for expenses incurred in administering the SDR Department, the Special Disbursement Account, and the Enhanced Structural Adjustment Facility Trust.

The Fund has a contributory retirement plan. All contributions to the Plan and all other assets, liabilities, and income of the Plan are administered separately outside of the General Department and can be used only for the benefit of the participants in the Plan and their beneficiaries. Participants contribute a fixed percentage of pensionable remuneration. The Fund contributes the remainder of the cost of funding the Plan and pays certain administrative costs of the Plan.

The Fund uses the aggregate actuarial method for determining its pension cost and for funding the Plan. Under this method the employer's contributions, including those for cost of living adjustments and for experience gains and losses, are spread over the expected future working lifetimes of the active participants in the Plan and are determined annually as a percent of pensionable remuneration of the active participants. The funding and cost of the Plan for the year ended April 30, 1992 is based upon an actuarial valuation as at April 30, 1990.

The Fund also has established a Supplemental Retirement Benefit Plan (SRBP) for the purpose of paying certain benefits not payable from the Staff Retirement Plan. Payments to the SRBP are made by the Fund and eligible staff. The assets of the SRBP are maintained separately from other assets of the Fund and are held on behalf of the participants and beneficiaries entitled to these payments.

Schedule 1

GENERAL DEPARTMENT

QUOTAS, FUND'S HOLDINGS OF CURRENCIES, MEMBERS' USE OF FUND RESOURCES, AND RESERVE TRANCHE POSITIONS

as at April 30, 1992

(In thousands of SDRs)

		Fund's Holdings of Currencies[1]			
	Quotas	Total	Percent of Quota	Use of Fund Resources	Reserve Tranche Positions
Afghanistan	86,700	81,808	94.4	—	4,900
Albania	25,000	25,000	100.0	—	5
Algeria	623,100	1,318,998	211.7	695,900	3
Angola	145,000	145,145	100.1	—	—
Antigua and Barbuda	5,000	4,999	100.0	—	1
Argentina	1,113,000	2,702,290	242.8	1,589,265	—
Australia	1,619,200	1,373,920	84.9	—	245,337
Austria	775,600	494,890	63.8	—	280,706
Bahamas, The	66,400	59,255	89.2	—	7,149
Bahrain	48,900	18,897	38.6	—	30,012
Bangladesh	287,500	353,393	122.9	65,891	—
Barbados	34,100	64,800	190.0	30,700	—
Belgium	2,080,400	1,719,515	82.7	—	360,898
Belize	9,500	7,587	79.9	—	1,914
Benin	31,300	29,281	93.5	—	2,021
Bhutan	2,500	1,930	77.2	—	570
Bolivia	90,700	119,014	131.2	28,300	—
Botswana	22,100	9,178	41.5	—	12,928
Brazil	1,461,300	2,372,306	162.3	910,610	—
Bulgaria	310,000	676,900	218.4	366,900	5
Burkina Faso	31,600	24,401	77.2	—	7,201
Burundi	42,700	35,472	83.1	—	7,235
Cambodia	25,000	37,494	150.0	12,500	7
Cameroon	92,700	168,070	181.3	75,594	231
Canada	2,941,000	2,514,094	85.5	—	426,890
Cape Verde	4,500	4,499	100.0	—	1
Central African Republic	30,400	31,715	104.3	1,406	94
Chad	30,600	30,330	99.1	—	272
Chile	440,500	1,073,678	243.7	633,184	12
China	2,390,900	2,088,302	87.3	—	302,602
Colombia	394,200	386,201	98.0	—	8,000
Comoros	4,500	4,498	100.0	—	4
Congo	37,300	40,832	109.5	4,000	469
Costa Rica	84,100	144,643	172.0	60,530	—
Côte d'Ivoire	165,500	406,172	245.4	240,680	9
Cyprus	69,700	51,840	74.4	—	17,862
Czechoslovakia	590,000	1,693,505	287.0	1,103,500	—
Denmark	711,000	443,514	62.4	—	267,489
Djibouti	8,000	6,763	84.5	—	1,237
Dominica	4,000	4,405	110.1	413	9
Dominican Republic	112,100	169,315	151.0	57,215	—
Ecuador	150,700	252,067	167.3	101,337	—
Egypt	463,400	625,110	134.9	161,700	—
El Salvador	89,000	89,003	100.0	—	—
Equatorial Guinea	18,400	18,409	100.0	—	—
Ethiopia	70,600	70,612	100.0	—	—
Fiji	36,500	29,732	81.5	—	6,774
Finland	574,900	373,524	65.0	—	201,382
France	4,482,800	3,297,856	73.6	—	1,185,148
Gabon	73,100	149,477	204.5	76,421	52

Schedule 1 *(continued)*

	Quotas	Fund's Holdings of Currencies[1] Total	Fund's Holdings of Currencies[1] Percent of Quota	Use of Fund Resources	Reserve Tranche Positions
Gambia, The	17,100	17,581	102.8	513	35
Germany	5,403,700	2,899,386	53.7	—	2,504,335
Ghana	204,500	354,256	173.2	149,752	—
Greece	399,900	325,181	81.3	—	74,721
Grenada	6,000	6,001	100.0	—	—
Guatemala	108,000	141,576	131.1	33,570	—
Guinea	57,900	57,897	100.0	—	5
Guinea-Bissau	7,500	7,500	100.0	—	[2]
Guyana	49,200	98,702	200.6	49,500	—
Haiti	44,100	59,056	133.9	15,000	45
Honduras	67,800	142,371	210.0	74,570	—
Hungary	530,700	1,430,979	269.6	900,349	72
Iceland	59,600	55,565	93.2	—	4,040
India	2,207,700	4,693,638	212.6	2,486,405	467
Indonesia	1,009,700	995,142	98.6	57,863	72,421
Iran, Islamic Republic of	660,000	660,007	100.0	—	—
Iraq	504,000	504,013	100.0	—	—
Ireland	343,400	221,959	64.6	—	121,464
Israel	446,600	625,245	140.0	178,640	—
Italy	2,909,100	1,327,477	45.6	—	1,581,624
Jamaica	145,500	412,978	283.8	267,413	—
Japan	4,223,300	1,829,730	43.3	—	2,393,579
Jordan	73,900	147,533	199.6	73,635	2
Kenya	142,000	206,470	145.4	76,675	12,218
Kiribati	2,500	2,501	100.0	—	—
Korea	462,800	214,420	46.3	—	248,400
Kuwait	635,300	529,392	83.3	—	105,918
Lao People's Democratic Rep.	29,300	29,300	100.0	—	—
Lebanon	78,700	59,869	76.1	—	18,833
Lesotho	15,100	13,797	91.4	—	1,305
Liberia	71,300	272,836	382.7	201,554	28
Libya	515,700	272,203	52.8	—	243,505
Lithuania	69,000	—	—	—	—
Luxembourg	77,000	64,601	83.9	—	12,404
Madagascar	66,400	86,556	130.4	20,156	[2]
Malawi	37,200	49,681	133.6	14,699	2,219
Malaysia	550,600	379,578	68.9	—	171,027
Maldives	2,000	1,996	99.8	—	4
Mali	50,800	57,375	112.9	15,261	8,688
Malta	45,100	23,667	52.5	—	21,460
Mauritania	33,900	37,409	110.4	3,500	—
Mauritius	53,600	52,347	97.7	—	1,254
Mexico	1,165,500	5,754,174	493.7	4,588,656	—
Mongolia	25,000	36,250	145.0	11,250	5
Morocco	306,600	693,799	226.3	387,229	33
Mozambique	61,000	61,000	100.0	—	7
Myanmar	137,000	137,003	100.0	—	—
Namibia	70,000	69,996	100.0	—	5
Nepal	37,300	31,599	84.7	—	5,707
Netherlands	2,264,800	1,717,288	75.8	—	547,714
New Zealand	461,600	397,648	86.1	—	63,961
Nicaragua	68,200	85,240	125.0	17,030	—
Niger	33,700	34,392	102.1	9,252	8,561
Nigeria	849,500	849,491	100.0	—	68
Norway	699,000	291,452	41.7	—	407,548
Oman	63,100	38,235	60.6	—	24,910
Pakistan	546,300	877,455	160.6	331,208	65
Panama	102,200	179,468	175.6	77,267	12
Papua New Guinea	65,900	108,735	165.0	42,835	—
Paraguay	48,400	37,388	77.2	—	11,015

Schedule 1 *(concluded)*

	Quotas	Fund's Holdings of Currencies[1] Total	Percent of Quota	Use of Fund Resources	Reserve Tranche Positions
Peru	330,900	818,123	247.2	487,191	—
Philippines	440,400	1,177,631	267.4	776,020	38,826
Poland	680,000	1,276,602	187.7	596,600	—
Portugal	376,600	167,122	44.4	—	209,479
Qatar	114,900	95,159	82.8	—	19,742
Romania	523,400	1,089,205	208.1	565,800	—
Rwanda	43,800	37,352	85.3	—	6,455
St. Kitts and Nevis	4,500	4,488	99.7	—	15
St. Lucia	7,500	7,500	100.0	—	1
St. Vincent	4,000	4,000	100.0	—	—
Sao Tome and Principe	4,000	4,003	100.1	—	—
Saudi Arabia	3,202,400	2,887,337	90.2	—	315,070
Senegal	85,100	117,018	137.5	32,943	1,033
Seychelles	3,000	2,948	98.3	—	54
Sierra Leone	57,900	106,480	183.9	48,591	24
Singapore	92,400	36,776	39.8	—	55,679
Solomon Islands	5,000	4,467	89.3	—	538
Somalia	44,200	140,907	318.8	96,701	—
South Africa	915,700	915,660	100.0	—	41
Spain	1,286,000	540,174	42.0	—	745,833
Sri Lanka	223,100	277,446	124.4	54,400	54
Sudan	169,700	773,976	456.1	604,256	11
Suriname	49,300	49,301	100.0	—	—
Swaziland	24,700	24,681	99.9	—	21
Sweden	1,064,300	743,115	69.8	—	321,190
Syrian Arab Republic	139,100	139,103	100.0	—	5
Tanzania	107,000	108,574	101.5	1,560	—
Thailand	386,600	213,487	55.2	—	173,146
Togo	38,400	53,202	138.5	15,042	248
Tonga	3,250	2,506	77.1	—	746
Trinidad and Tobago	170,100	423,199	248.8	253,106	9
Tunisia	138,200	309,404	223.9	171,225	25
Turkey	429,100	396,828	92.5	—	32,275
Uganda	99,600	115,132	115.6	15,525	—
United Arab Emirates	202,600	79,009	39.0	—	123,592
United Kingdom	6,194,000	4,967,378	80.2	—	1,226,630
United States	17,918,300	11,372,847	63.5	—	6,547,261
Uruguay	163,800	197,659	120.7	33,852	—
Vanuatu	9,000	7,387	82.1	—	1,613
Venezuela	1,371,500	3,642,828	265.6	2,271,325	—
Viet Nam	176,800	205,195	116.1	28,395	5
Western Samoa	6,000	6,015	100.2	53	39
Yemen, Republic of	120,500	120,490	100.0	—	14
Yugoslavia	613,000	804,137	131.2	191,100	—
Zaïre	291,000	475,807	163.5	184,807	—
Zambia	270,300	903,074	334.1	632,792	19
Zimbabwe	191,000	262,160	137.3	71,200	46
Total	91,221,550	92,719,917		23,432,311	21,868,857

[1]Includes non-negotiable, non-interest-bearing notes that members are entitled to issue in substitution for currency.
[2]Less than SDR 500.

Schedule 2

GENERAL DEPARTMENT

SCHEDULED REPURCHASES AND REPAYMENTS OF LOANS

as at April 30, 1992

(In thousands of SDRs)

Financial Year Ending April 30	General Resources Account[1] Ordinary Resources	Borrowed Resources[2]	Total	Special Disbursement Account
1993	3,876,710	1,778,720	5,661,673[3]	47,199
1994	2,396,463	1,021,827	3,418,290	124,216
1995	3,126,005	1,038,928	4,164,933	222,336
1996	3,480,238	991,929	4,472,167	321,992
1997	1,681,489	981,644	2,663,133	345,129
1998	635,781	588,523	1,224,304	326,095
1999	611,960	256,202	868,162	249,078
2000	523,838	—	523,838	150,958
2001	341,197	—	341,197	51,302
2002	100,857	—	100,857	26,291
Total	16,774,538	6,657,773	23,438,554	1,864,596

[1]A member is entitled to repurchase at any time holdings of its currency subject to charges and is expected to make repurchases as and when its balance of payments and reserve position improves.
[2]Includes ordinary resources in substitution of borrowed resources equivalent to SDR 541.5 million.
[3]Includes reserve tranche purchases made prior to April 1, 1978, which are subject to repurchase (SDR 6.2 million).

Schedule 3

GENERAL DEPARTMENT

SCHEDULED REPAYMENTS OF FUND BORROWING

as at April 30, 1992

(In thousands of SDRs)

Periods of Repayment[1] Financial Year Ending April 30	Enlarged Access Resources	Other	Total
1993	350,000	—	350,000
1994	300,000	—	300,000
1995	75,000	1,025,374	1,100,374
1996	—	1,959,626	1,959,626
Total	725,000	2,985,000	3,710,000

[1]Dates of repayment are the dates provided in the borrowing agreements between the Fund and lenders, including maximum periods of renewals, which are at the Fund's option. The borrowing agreements also permit earlier repayments in certain circumstances.

Schedule 4

INTERNATIONAL MONETARY FUND

GENERAL DEPARTMENT

STATUS OF ARRANGEMENTS

as at April 30, 1992

(In thousands of SDRs)

Member	Date of Arrangement	Expiration	Total Amount Agreed	Undrawn Balance
GENERAL RESOURCES ACCOUNT				
STAND-BY ARRANGEMENTS				
Barbados	February 7, 1992	May 31, 1993	23,890	15,360
Brazil	January 29, 1992	August 31, 1993	1,500,000	1,372,500
Bulgaria	April 17, 1992	April 16, 1993	155,000	124,000
Cameroon	December 20, 1991	September 19, 1992	28,000	20,000
Congo	August 27, 1990	May 26, 1992	27,975	23,975
Costa Rica	April 8, 1991	September 30, 1992	33,640	8,000
Côte d'Ivoire	September 20, 1991	September 19, 1992	82,750	49,650
Czechoslovakia	April 3, 1992	April 2, 1993	236,000	218,000
Dominican Republic	August 28, 1991	March 27, 1993	39,240	39,240
Ecuador	December 11, 1991	December 10, 1992	75,000	56,438
Egypt	May 17, 1991	November 30, 1992	278,000	130,800
El Salvador	January 6, 1992	March 5, 1993	41,500	41,500
Gabon	September 30, 1991	March 29, 1993	28,000	24,000
India	October 31, 1991	June 30, 1993	1,656,000	1,386,000
Jamaica	June 28, 1991	September 30, 1992	43,650	21,850
Jordan	February 26, 1992	August 25, 1993	44,400	37,000
Mongolia	October 4, 1991	October 3, 1992	22,500	11,250
Morocco	January 31, 1992	March 31, 1993	91,980	73,584
Nicaragua	September 18, 1991	March 17, 1993	40,860	23,830
Panama	February 24, 1992	December 23, 1993	93,680	68,630
Papua New Guinea	July 31, 1991	September 30, 1992	26,360	26,360
Philippines	February 20, 1991	December 31, 1992	264,200	150,950
			4,832,625	3,922,917
EXTENDED ARRANGEMENTS				
Argentina	March 31, 1992	March 30, 1995	2,149,250	2,134,249
Hungary	February 20, 1991	February 19, 1994	1,114,000	556,765
Mexico	May 26, 1989	May 25, 1992	3,263,400	233,100
Poland	April 18, 1991	April 17, 1994	1,224,000	1,147,500
Tunisia	July 25, 1988	July 24, 1992	207,300	51,825
Venezuela	June 23, 1989	March 22, 1993	3,857,100	1,851,500
Zimbabwe	January 24, 1992	January 23, 1995	343,800	272,600
			12,158,850	6,247,539
TOTAL GENERAL RESOURCES ACCOUNT			16,991,475	10,170,456

Schedule 4 *(concluded)*

Member	Date of Arrangement	Expiration	Total Amount Agreed	Undrawn Balance
SPECIAL DISBURSEMENT ACCOUNT				
STRUCTURAL ADJUSTMENT FACILITY				
Benin	June 16, 1989	June 15, 1992	21,910	6,260
Burkina Faso	March 13, 1991	March 12, 1994	22,120	15,800
Comoros	June 21, 1991	June 20, 1994	3,150	2,250
Lao People's Democratic Republic	September 18, 1989	September 17, 1992	20,510	5,860
Rwanda	April 24, 1991	April 23, 1994	30,660	21,900
Sao Tome and Principe	June 2, 1989	June 1, 1992	2,800	2,000
			101,150	54,070
SAF RESOURCES COMMITTED UNDER ESAF ARRANGEMENTS[1]				
Bolivia	July 27, 1988	July 2, 1992	45,350	—
Guyana	July 13, 1990	July 12, 1993	34,440	17,220
Kenya	May 15, 1989	March 31, 1993	71,000	—
Madagascar	May 15, 1989	May 14, 1992	33,200	—
Malawi	July 15, 1988	September 29, 1992	26,040	—
Mauritania	May 24, 1989	May 23, 1992	6,780	3,390
Senegal	November 21, 1988	June 2, 1992	17,020	—
Togo	May 31, 1989	May 30, 1992	19,200	—
Uganda	April 17, 1989	November 7, 1992	19,920	—
			272,950	20,610
TOTAL SPECIAL DISBURSEMENT ACCOUNT			374,100	74,680
TOTAL GENERAL DEPARTMENT			17,365,575	10,245,136

[1]Resources under enhanced structural adjustment facility arrangements may be provided from the structural adjustment facility within the Special Disbursement Account and from the Enhanced Structural Adjustment Facility Trust.

SDR DEPARTMENT

STATEMENT OF ALLOCATIONS AND HOLDINGS

as at April 30, 1992

(In thousands of SDRs)

	1992	1991
ALLOCATIONS		
Net cumulative allocations of SDRs to participants	21,433,330	21,433,330
Charges due but not paid	37,979	30,296
	21,471,309	21,463,626
HOLDINGS		
Participants with holdings above allocations		
Allocations	10,486,306	11,386,889
Net receipt of SDRs	6,063,552	5,817,978
	16,549,858	17,204,867
Participants with holdings below allocations		
Allocations	10,947,024	10,046,441
Net use of SDRs	6,760,012	6,493,893
	4,187,012	3,552,548
Total holdings by participants	20,736,870	20,757,415
General Resources Account	680,338	694,280
Prescribed Holders	54,101	11,931
	21,471,309	21,463,626

The accompanying note is an integral part of the financial statements.

/s/ David Williams
Treasurer

/s/ M. Camdessus
Managing Director

SDR DEPARTMENT

STATEMENT OF RECEIPT AND USE OF SDRs

for the year ended April 30, 1992

(In thousands of SDRs)

	Participants	General Resources Account	Prescribed Holders	Total 1992	Total 1991
Total holdings at beginning of the year	20,757,415	694,280	11,931	21,463,626	21,477,995
Receipt of SDRs					
Transfers among participants and prescribed holders					
Transactions by agreement	4,930,080		88,670	5,018,750	5,266,329
Operations					
Loans	11,350			11,350	86,260
Forward operations					72,000
Settlement of financial obligations	46,006		182,932	228,938	191,073
Fund-related operations					
Subsidy payments	194			194	2,064
SAF/ESAF loans	52,385			52,385	28,040
SAF repayments and interest			3,367	3,367	2,926
Trust Fund repayments and interest			4	4	12,183
Special charges on SAF, ESAF, and Trust Fund			118	118	198
ESAF contributions and payments	3,634		83,824	87,458	84,640
ESAF repayments and interest			4,996	4,996	2,073
Net interest on SDRs	438,528		2,009	440,537	541,416
Transfers from participants to General Resources Account					
Repurchases		1,838,436		1,838,436	1,991,490
Charges		1,882,573		1,882,573	2,006,411
Quota payments		11,350		11,350	220,190
Interest on SDRs		57,467		57,467	78,765
Assessment on SDR allocation		4,053		4,053	3,686
Adjustments		400		400	
Transfers from General Resources Account to participants and prescribed holders					
Purchases	1,881,392			1,881,392	1,333,747
Repayments of Fund borrowings	500,000			500,000	1,089,688
Interest on Fund borrowings	76,704			76,704	194,845
In exchange for currencies of other members					
Acquisitions to pay charges	252,626			252,626	363,894
Remuneration	1,008,574			1,008,574	1,172,145
Other					
Refunds and adjustments	88,925			88,925	80,429
Total receipts	9,290,398	3,794,279	365,920	13,450,597	14,824,492

SDR DEPARTMENT

STATEMENT OF RECEIPT AND USE OF SDRs

for the year ended April 30, 1992 *(concluded)*

(In thousands of SDRs)

	Participants	General Resources Account	Prescribed Holders	Total 1992	Total 1991
Use of SDRs					
Transfers among participants and prescribed holders					
Transactions by agreement	4,785,868		232,882	5,018,750	5,266,329
Operations					
Loans	11,350			11,350	86,260
Forward operations					72,000
Settlement of financial obligations	194,283		34,655	228,938	191,073
Transfer of interest under swaps					
Fund-related operations					
Subsidy payments			194	194	2,064
SAF/ESAF loans			52,385	52,385	28,040
SAF repayments and interest	3,367			3,367	2,926
Trust Fund repayments and interest	4			4	12,183
Special charges on SAF, ESAF, and Trust Fund	118			118	198
ESAF contributions and payments	83,824		3,634	87,458	84,640
ESAF repayments and interest	4,996			4,996	2,073
Transfers from participants to General Resources Account					
Repurchases	1,838,436			1,838,436	1,991,490
Charges	1,882,573			1,882,573	2,006,411
Quota payments	11,350			11,350	220,190
Assessment on SDR allocation	4,053			4,053	3,686
Adjustments	400			400	
Transfers from General Resources Account to participants and prescribed holders					
Purchases		1,881,392		1,881,392	1,333,747
Repayments of Fund borrowings		500,000		500,000	1,089,688
Interest on Fund borrowings		76,704		76,704	194,845
In exchange for currencies of other members					
Acquisitions to pay charges		252,626		252,626	363,894
Remuneration		1,008,574		1,008,574	1,172,145
Other					
Refunds and adjustments		88,925		88,925	80,429
Charges paid in the SDR Department					
Net charges due	498,004			498,004	620,180
Charges not paid when due	(35,794)			(35,794)	(51,423)
Settlement of unpaid charges	28,111			28,111	65,793
Total uses	9,310,943	3,808,221	323,750	13,442,914	14,838,861
Total holdings at end of the year	20,736,870	680,338	54,101	21,471,309	21,463,626

The accompanying note is an integral part of the financial statements.

SDR DEPARTMENT

NOTE TO THE FINANCIAL STATEMENTS

SDR Department

All transactions and operations involving SDRs are conducted through the SDR Department. SDRs are allocated by the Fund to members that are participants in the SDR Department in proportion to their quotas in the Fund. Allocations were made in 1970, 1971, and 1972, totaling SDR 9.3 billion. Further allocations were made in 1979, 1980, and 1981, totaling SDR 12.1 billion. SDRs do not constitute claims by holders against the Fund to provide currency; however, in connection with the termination of participation or liquidation, the Fund will provide to holders the currencies received from participants. The Fund is empowered to prescribe certain official entities as holders of SDRs: to date, 16 institutions have been prescribed as holders. These prescribed holders do not receive allocations and cannot use or receive SDRs in designation.

Uses of SDRs

Participants and prescribed holders can use and receive SDRs in operations and transactions by agreement among themselves. Participants can also use SDRs in operations and transactions involving the General Resources Account, such as the payment of charges and repurchases. In addition, the Fund ensures, by designating participants to provide freely usable currency in exchange for SDRs, that a participant can use its SDRs to obtain such currency if it has a need because of its balance of payments or its reserve position or developments in its reserves. A participant is not obliged to provide currency for SDRs beyond the point at which its holdings of SDRs in excess of its net cumulative allocation are equal to twice its net cumulative allocation. A participant may, however, provide currency in excess of the obligatory limit.

Interest, Charges, and Assessment

Interest is paid to each holder on its holdings of SDRs. Charges are levied on each participant's net cumulative allocation plus any negative balance of the participant or unpaid charges. Interest on SDR holdings is paid and charges on net cumulative allocations are collected on a quarterly basis. Interest and charges are levied at the same rate and settled by crediting and debiting individual holdings accounts on the first day of the subsequent quarter. The Fund is required to pay interest to each holder, whether or not sufficient SDRs are received in payment of charges. At April 30, 1992, ten members (nine members at April 30, 1991) were six months or more overdue in meeting financial obligations to the Fund and six of these members were six months or more overdue to the SDR Department (five members at April 30, 1991). The amount of unpaid charges of these members to the SDR Department was as follows:

	1992	1991
	In millions of SDRs	
Total overdue	37.2	26.9
Overdue for six months or more	30.5	21.8
Overdue for three years or more	8.0	8.3

The duration of arrears of these members are as follows:

Member	Total	Longest Overdue Obligation
	In millions of SDRs	
Cambodia	10.7	November 1984
Iraq	8.6	November 1990
Liberia	7.4	August 1988
Somalia	1.4	February 1991
Sudan	7.1	August 1990
Viet Nam	2.0	August 1988
Total	37.2	

The SDR interest rate is determined by reference to a combined market interest rate, which is a weighted average of yields or rates on short-term instruments in the capital markets of France, Germany, Japan, the United Kingdom, and the United States. The combined market interest rate used to determine the SDR interest rate is calculated each Friday, using the yields or rates of that day. The SDR interest rate, which is set equal to the combined market interest rate, enters into effect on the following Monday and applies until the end of the following Sunday.

The expenses of conducting the business of the SDR Department are paid by the Fund from the General Resources Account, which is reimbursed in SDRs at the end of each financial year. For this purpose, the Fund levies an assessment, at the same rate for all participants, on their net cumulative allocation.

ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST

COMBINED BALANCE SHEET

as at April 30, 1992

(In thousands of SDRs)

(Note 1)

	Loan Account	Reserve Account	Subsidy Account	Combined 1992	Combined 1991
ASSETS					
Loans	1,263,790	—	—	1,263,790	810,957
Investments (Note 2)	60,820	505,894	597,041	1,163,755	931,563
Accrued interest receivable	2,524	15,840	23,719	42,083	41,360
Currency	—	22	5	27	12
Accrued account transfers	13,724	438	(14,162)	—	—
Total	1,340,858	522,194	606,603	2,469,655	1,783,892
LIABILITIES AND RESOURCES					
Resources	—	522,194	504,251	1,026,445	778,466
Borrowing (Note 4)	1,322,395	—	101,365	1,423,760	992,178
Accrued interest on borrowing	18,414	—	987	19,401	13,198
Other liabilities	49	—	—	49	50
Total	1,340,858	522,194	606,603	2,469,655	1,783,892

The accompanying notes and Schedules 1–4 are an integral part of the financial statements.

/s/ David Williams
Treasurer

/s/ M. Camdessus
Managing Director

ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST

COMBINED STATEMENT OF INCOME AND EXPENSE

for the year ended April 30, 1992

(In thousands of SDRs)

(Note 1)

	Loan Account	Reserve Account	Subsidy Account	Combined 1992	Combined 1991
Income					
Investment income	4,280	36,370	41,879	82,529	74,947
Interest on loans	5,551	—	—	5,551	2,980
Exchange valuation gain	37	14	11	62	232
	9,868	36,384	41,890	88,142	78,159
Expense					
Interest expense on borrowing	57,025	—	1,344	58,369	32,638
Other expenses	60	—	—	60	50
	57,085	—	1,344	58,429	32,688
Net income (loss)	(47,217)	36,384	40,546	29,713	45,471

The accompanying notes and Schedules 1–4 are an integral part of the financial statements.

ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST

COMBINED STATEMENT OF CHANGES IN RESOURCES

for the year ended April 30, 1992

(In thousands of SDRs)
(Note 1)

	Loan Account	Reserve Account	Subsidy Account	Combined 1992	Combined 1991
Balance at beginning of the year	—	399,196	379,270	778,466	487,311
Contributions (Note 3)	—	—	135,940	135,940	158,437
Transfers from Special Disbursement Account	—	82,326	—	82,326	87,247
Subsidy Account transfers	51,505	—	(51,505)	—	—
Loan Account transfers	(4,288)	4,288	—	—	—
Net income (loss)	(47,217)	36,384	40,546	29,713	45,471
Balance at end of the year	—	522,194	504,251	1,026,445	778,466

The accompanying notes and Schedules 1–4 are an integral part of the financial statements.

ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST

NOTES TO THE FINANCIAL STATEMENTS

Purpose

The Enhanced Structural Adjustment Facility Trust (Trust), which is administered by the Fund as Trustee, was established in December 1987 to provide loans on concessional terms to qualifying low-income developing members. The resources of the Trust are separate from the assets of all other accounts of, or administered by, the Fund and may not be used to discharge liabilities or to meet losses incurred in the administration of other accounts.

The operations of the Trust are conducted through a Loan Account, a Reserve Account, and a Subsidy Account.

Loan Account

The resources of the Loan Account consist of the proceeds of borrowing and receipt of payments of principal and interest on loans extended by the Trust. Resources of the Account are committed to qualifying members for a three-year period, upon approval by the Trustee, in support of the member's macroeconomic and structural adjustment program. Interest on the outstanding loan balances is currently set at the rate of $^1/_2$ of 1 percent per annum. At April 30, 1992, SDR 1,263.8 million in loans had been disbursed (SDR 811.0 million at April 30, 1991).

Reserve Account

The resources of the Reserve Account consist of amounts transferred by the Fund from the Special Disbursement Account; net earnings from investment of resources held in the Account or in the Loan Account; receipt of payments of overdue principal or interest under Loan Account loans; or interest under Loan Account loans when payment has been made to a lender from the Reserve Account.

The resources held in the Reserve Account are to be used by the Trustee to make payments of principal and interest on its borrowings for the Loan Account to the extent that the amounts available from receipts of repayments and interest from borrowers under the Loan Account, together with the authorized interest subsidy, are insufficient to cover payments to lenders as they become due and payable.

Subsidy Account

The resources held in the Subsidy Account consist of donations to the Trust, including transfers of net earnings on resources temporarily placed to administered accounts; the proceeds of loans made to the Trust for the Subsidy Account; and the net earnings from investment of Account resources.

The resources available in the Subsidy Account are drawn by the Trustee to pay the difference, with respect to each interest period, between the interest due by the borrowers under the Trust and the interest due on resources borrowed for Loan Account loans.

1. Accounting Practices

The accounts of the Trust are expressed in terms of the SDR. The currency value of the SDR is determined by the Fund each day by summing the values in U.S. dollars, based on market exchange rates, of a basket of five currencies. The Fund's procedures require that the SDR valuation basket be reviewed every five years, and that the basket is to include the currencies of the members having the largest exports of goods and services during the five-year period ending one year prior to the date of the revisions. The currencies comprising the basket and their amounts in the basket are as follows:

Currencies	Amounts
U.S. dollar	0.572
Deutsche mark	0.453
Japanese yen	31.8
French franc	0.800
Pound sterling	0.0812

Members are not obligated to maintain the SDR value of their currency held by the Accounts of the Trust.

The Accounts of the Trust are maintained on the accrual basis and, accordingly, income is recognized as it is earned and expenses are recorded as they are incurred. It is the practice of the Trustee to make all calculations on the basis of the exact number of days in the accounting period. The expenses of conducting the business of the Enhanced Structural Adjustment Facility Trust that are paid by the General Resources Account of the Fund are reimbursed on an annual basis by the Special Disbursement Account, and corresponding transfers from the Trust's Reserve Account may be made to the Special Disbursement Account, when and to the extent needed.

2. Investments

The resources of the Trust are invested pending their use in operations. Investments are denominated in SDRs or in currency. Balances held in currency-denominated investments may give rise to valuation gains and losses. Pending their investment, resources may be temporarily held in currency, which also may give rise to valuation gains and losses.

3. Contributions

The Trustee accepts donations of resources for the Subsidy Account on such terms and conditions as agreed between the Trustee and the contributors. Cumulative contributions received as at April 30, 1992 amounted to SDR 498.4 million (SDR 362.3 million at April 30, 1991) and are listed in Schedule 1.

4. Borrowing

The Trustee borrows resources for the Loan Account and for the Subsidy Account on such terms and conditions as agreed between the Trustee and the lenders.

The following summarizes borrowing agreements concluded as at April 30, 1992 (in thousands of SDRs):

	Amounts Agreed	Amounts Borrowed	Amounts Available
Loan Account	4,945,000	1,322,395	3,622,605
Subsidy Account	101,365	101,365	—

At April 30, 1991, borrowing agreements had been concluded for the Loan Account and the Subsidy Account amounting to SDR 4,945 million and SDR 101 million, respectively. Amounts available under these agreements at April 30, 1991, were SDR 4,044 million for the Loan Account and SDR 10 million for the Subsidy Account.

Scheduled repayments of outstanding borrowing by the Trustee are shown in Schedule 2.

5. Commitments Under Loan Arrangements

At April 30, 1992, resources of the Loan Account were committed to members under 16 loan arrangements and undrawn balances under those arrangements amounted to SDR 876.7 million. At April 30, 1991, undrawn balances under 14 loan arrangements amounted to SDR 616.6 million. Loan arrangements are listed in Schedule 3. Scheduled repayments of outstanding loans are shown in Schedule 4.

Schedule 1

ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST

CONTRIBUTIONS TO THE SUBSIDY ACCOUNT[1]

as at April 30, 1992

(In thousands of SDRs)

Contributor	Cumulative Contribution
Austria	15,008
Belgium	24,105
Canada	12,211
Denmark	27,028
Finland	22,684
Germany	17,726
Greece	8,807
Iceland	400
Italy	83,028
Japan	113,173
Korea	27,700
Luxembourg	2,009
Netherlands	17,482
Norway	11,468
Sweden	73,302
United Kingdom	36,290
United States	5,984
Total contributions received	498,405

[1]The Subsidy Account also benefits from the net investment earnings of the proceeds of loans or investments, which amounted to SDR 101.4 million at April 30, 1992.

Schedule 2

ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST

SCHEDULE OF REPAYMENTS OF BORROWING

as at April 30, 1992

(In thousands of SDRs)

Periods of Repayment Financial Year Ending April 30[1]	Loan Account	Subsidy Account
1994	1,465	—
1995	56,739	—
1996	130,771	—
1997	211,583	—
1998	264,479	—
1999	263,014	60,000
2000	207,740	20,000
2001	133,709	10,000
2002	52,895	10,000
2003	—	1,365
Total	1,322,395	101,365

[1]Dates of repayment are the dates provided in the borrowing agreements between the Trustee and lenders.

Schedule 3

ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST

STATUS OF LOAN ARRANGEMENTS[1]

as at April 30, 1992

(In thousands of SDRs)

			Amount Agreed			Undrawn Balance		
Member	Date of Arrangement	Expiration	ESAF Loan Account	Structural adjustment facility	Total	ESAF Loan Account	Structural adjustment facility	Total
Bangladesh	Aug. 10, 1990	Aug. 9, 1993	345,000	—	345,000	115,000	—	115,000
Bolivia	July 27, 1988	July 2, 1992	90,700	45,350	136,050	22,675	—	22,675
Burundi	Nov. 13, 1991	Nov. 12, 1994	42,700	—	42,700	38,430	—	38,430
Guinea	Nov. 6, 1991	Nov. 5, 1994	57,900	—	57,900	49,215	—	49,215
Guyana	July 13, 1990	July 12, 1993	47,084	34,440	81,524	9,348	17,220	26,568
Kenya	May 15, 1989	Mar. 31, 1993	190,400	71,000	261,400	45,233	—	45,233
Lesotho	May 22, 1991	May 21, 1994	18,120	—	18,120	13,590	—	13,590
Madagascar	May 15, 1989	May 14, 1992	43,700	33,200	76,900	25,633	—	25,633
Malawi	July 15, 1988	Sep. 29, 1992	40,920	26,040	66,960	5,580	—	5,580
Mauritania	May 24, 1989	May 23, 1992	44,070	6,780	50,850	30,510	3,390	33,900
Mozambique	June 1, 1990	May 31, 1993	85,400	—	85,400	45,750	—	45,750
Senegal	Nov. 21, 1988	June 2, 1992	127,650	17,020	144,670	—	—	—
Sri Lanka	Sep. 13, 1991	Sep. 12, 1994	336,000	—	336,000	280,000	—	280,000
Tanzania	July 29, 1991	July 28, 1994	181,900	—	181,900	160,500	—	160,500
Togo	May 31, 1989	May 30, 1992	26,880	19,200	46,080	15,360	—	15,360
Uganda	Apr. 17, 1989	Nov. 7, 1992	159,360	19,920	179,280	19,920	—	19,920
Total			1,837,784	272,950	2,110,734	876,744	20,610	897,354

[1]Resources under enhanced structural adjustment facility arrangements may be provided from the structural adjustment facility within the Special Disbursement Account and from the Enhanced Structural Adjustment Facility Trust. The Saudi Fund for Development may also provide resources to support arrangements under the enhanced structural adjustment facility through loans to qualifying members in association with loans under the enhanced structural adjustment facility. As at April 30, 1992, SDR 17.5 million in such associated loans have been disbursed.

Schedule 4

ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST

SCHEDULE OF REPAYMENTS OF LOANS

as at April 30, 1992

(In thousands of SDRs)

Periods of Repayment Financial Year Ending April 30	Loan Account
1994	1,465
1995	40,534
1996	103,691
1997	196,737
1998	252,758
1999	251,293
2000	212,224
2001	149,067
2002	56,021
Total	1,263,790

ENHANCED STRUCTURAL ADJUSTMENT FACILITY

ADMINISTERED ACCOUNTS

BALANCE SHEETS

as at April 30, 1992

(In thousands of SDRs)
(Note 1)

	1992			1991		
	Austria	Belgium	Greece	Austria	Belgium	Greece
ASSETS						
Investments (Note 2)	60,000	100,009	35,000	60,000	100,009	35,000
Accrued interest receivable	669	1,116	304	1,721	2,666	1,149
Total	60,669	101,125	35,304	61,721	102,675	36,149
LIABILITIES AND RESOURCES						
Resources	568	971	238	1,621	2,522	1,084
Deposits (Note 3)	60,000	100,000	35,000	60,000	100,000	35,000
Accrued interest on deposits	101	154	66	100	153	65
Total	60,669	101,125	35,304	61,721	102,675	36,149

The accompanying notes are an integral part of the financial statements.

/s/ David Williams
Treasurer

/s/ M. Camdessus
Managing Director

ENHANCED STRUCTURAL ADJUSTMENT FACILITY

ADMINISTERED ACCOUNTS

STATEMENTS OF INCOME AND EXPENSE

for the year ended April 30, 1992

(In thousands of SDRs)
(Note 1)

	1992			1991		
	Austria	Belgium	Greece	Austria	Belgium	Greece
Income						
Investment income	4,808	7,549	2,763	5,285	8,854	3,012
Deduct: Interest expense on deposits	(301)	(501)	(175)	(300)	(500)	(175)
Net income	4,507	7,048	2,588	4,985	8,354	2,837

The accompanying notes are an integral part of the financial statements.

ENHANCED STRUCTURAL ADJUSTMENT FACILITY

ADMINISTERED ACCOUNTS

STATEMENTS OF CHANGES IN RESOURCES

for the year ended April 30, 1992

(In thousands of SDRs)
(Note 1)

	1992			1991		
	Austria	Belgium	Greece	Austria	Belgium	Greece
Balance at beginning of the year	1,621	2,522	1,084	1,650	2,563	1,067
Net income	4,507	7,048	2,588	4,985	8,354	2,837
Transfers to Enhanced Structural Adjustment Facility Trust Subsidy Account	(5,560)	(8,599)	(3,434)	(5,014)	(8,395)	(2,820)
Balance at end of the year	568	971	238	1,621	2,522	1,084

The accompanying notes are an integral part of the financial statements.

ENHANCED STRUCTURAL ADJUSTMENT FACILITY

ADMINISTERED ACCOUNT

SAUDI FUND FOR DEVELOPMENT SPECIAL ACCOUNT

STATEMENT OF RECEIPT AND USE OF RESOURCES

for the period July 31, 1991 to April 30, 1992

(In thousands of SDRs)
(Note 1)

	SFD Special Account
RECEIPT OF RESOURCES	
Transfers from Saudi Fund for Development	17,500
Receipts of interest on associated loans	21
Accrued interest on associated loans	29
	17,550
USE OF RESOURCES	
Associated loans (Note 4)	17,500
Payment of interest on transfers	21
Accrued interest on transfers	29
	17,550

The accompanying notes are an integral part of the financial statements.

ENHANCED STRUCTURAL ADJUSTMENT FACILITY

ADMINISTERED ACCOUNTS

NOTES TO THE FINANCIAL STATEMENTS

Purpose

The Administered Accounts for Austria, Belgium, and Greece were established for the administration of resources deposited in the accounts. The difference, net of any investment cost, between interest earned by the Fund on the investment of resources and the interest on deposits due will be transferred to the Subsidy Account of the Enhanced Structural Adjustment Facility Trust.

The Saudi Fund for Development (SFD) Special Account was established at the request of the SFD for the disbursement of amounts under loans made by the SFD to recipient countries in association with loans (associated loans) under the Enhanced Structural Adjustment Facility (ESAF), simultaneously with ESAF disbursements, and to receive payments of loan charges and repayments of principal due to the SFD under associated loans to be transferred to the SFD. The Fund acts as agent of the SFD in that respect.

The resources of each Administered Account are separate from the assets of all other accounts of, or administered by, the Fund and may not be used to discharge liabilities or to meet losses incurred in the administration of other accounts.

1. Accounting Practices

The accounts of the Administered Accounts are expressed in terms of the SDR. The currency value of the SDR is determined by the Fund each day by summing the values in U.S. dollars, based on market exchange rates, of a basket of five currencies. The Fund's procedures require that the SDR valuation basket be reviewed every five years, and that the basket is to include the currencies of the members having the largest exports of goods and services during the five-year period ending one year prior to the date of the revisions. The currencies comprising the basket and their amounts in the basket are as follows:

Currencies	Amounts
U.S. dollar	0.572
Deutsche mark	0.453
Japanese yen	31.8
French franc	0.800
Pound sterling	0.0812

The accounts of the Administered Accounts are maintained on the accrual basis and, accordingly, income is recognized as it is earned and expenses are recorded as they are incurred. It is the practice of the Fund to make all calculations on the basis of the exact number of days in the accounting period.

2. Investments

The resources of the Administered Accounts for Austria, Belgium, and Greece are invested by the Fund in SDR-denominated deposits.

3. Deposits

The Administered Account Austria was established on December 27, 1988 for the administration of resources deposited in the account by the Austrian National Bank. The deposit totaling SDR 60 million will be repaid in ten equal semiannual installments, which begin five and one half years after the date of the deposit and will be completed at the end of the tenth year after the date of the deposit. The deposit will bear interest at an annual rate of 1/2 of 1 percent per annum.

The Administered Account Belgium was established July 27, 1988 for the administration of resources deposited in the account by the National Bank of Belgium. The deposits, totaling SDR 100 million, each had an initial maturity of six months and are renewable, at the option of the Fund, on the same basis. The final maturity of each deposit, including renewals, will be ten years from the initial date of the deposit. The deposits will bear interest at an annual rate of 1/2 of 1 percent per annum.

The Administered Account Greece was established November 30, 1988 for the administration of resources deposited in the account by the Bank of Greece. The deposit totaling SDR 35 million will be repaid in ten equal semiannual installments, which begin five and one half years after the date of deposit and will be completed at the end of the tenth year after the date of the deposit. The deposit will bear interest at an annual rate of 1/2 of 1 percent per annum.

4. Associated Loans

SFD will provide resources up to the equivalent of SDR 200 million to support arrangements under the ESAF through loans to qualifying members in association with loans under the ESAF. Funds become available under an associated loan after a bilateral agreement between the SFD and the recipient country has entered into effect and as the recipient country satisfies the requisites and procedures for all or part of the loan amount. Amounts denominated in SDRs, to be disbursed to a recipient country under an associated loan are placed by the SFD to the Special Account for disbursement by the Fund, simultaneous with disbursements under an ESAF arrangement. These loans are repayable in ten equal semiannual installments commencing not later than the end of the first six months of the sixth year, and are to be completed at the end of the tenth year after the date of disbursement. Interest on the outstanding balance is currently set at the rate of 1/2 of 1 percent per annum.

TRUST FUND

BALANCE SHEET

as at April 30, 1992

(In thousands of SDRs)

(Note 1)

	1992	1991
ASSETS		
Loans (Note 2)	157,723	157,817
Interest and charges receivable and accrued (Note 3)	28,055	22,705
Investments, at cost (which approximates market value)	3,001	3,026
Accrued interest on investments	50	82
Total	188,829	183,630
TRUST RESOURCES AND LIABILITIES		
Trust resources	157,861	158,000
Liabilities		
Undistributed profits from sale of gold (Note 4)	2,913	2,977
Deferred income (Note 3)	28,055	22,653
Total	188,829	183,630

The accompanying notes are an integral part of the financial statements.

/s/ David Williams
Treasurer

/s/ M. Camdessus
Managing Director

TRUST FUND

STATEMENT OF INCOME AND EXPENSE

for the year ended April 30, 1992

(In thousands of SDRs)

(Note 1)

	1992	1991
Income		
Interest and charges on loans (Note 2)	6,215	8,098
Deduct income deferred (Note 3)	(5,403)	(4,762)
	812	3,336
Investment income	165	225
	977	3,561
Exchange valuation loss	1	3
Net income	976	3,558

The accompanying notes are an integral part of the financial statements.

TRUST FUND

STATEMENT OF CHANGES IN TRUST RESOURCES

for the year ended April 30, 1992

(In thousands of SDRs)
(Note 1)

	1992	1991
Balance at beginning of the year	158,000	326,075
Net income	976	3,558
Balance before transfers to the Special Disbursement Account	158,976	329,633
Transfers to the Special Disbursement Account (Note 5)	1,115	171,633
Balance at end of the year	157,861	158,000

The accompanying notes are an integral part of the financial statements.

TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

Purpose

The Trust Fund, which is administered by the Fund as Trustee, was established in 1976 to provide balance of payments assistance on concessional terms to eligible members that qualify for assistance. In 1980, the Fund, as Trustee, decided that upon the completion of the final loan disbursements, the Trust Fund shall be terminated as of April 30, 1981. After that date, the activities of the Trust Fund have been confined to the completion of any unfinished business of the Trust Fund and the winding up of its affairs. The resources of the Trust Fund are separate from the assets of all other accounts of, or administered by, the Fund and cannot be used to discharge liabilities or to meet losses incurred in the administration of other accounts.

1. Accounting Practices

The accounts of the Trust Fund are expressed in terms of the SDR. The currency value of the SDR is determined by the Fund each day by summing the values in U.S. dollars, based on market exchange rates, of a basket of five currencies. The Fund's procedures require that the SDR valuation basket be reviewed every five years, and that the basket is to include the currencies of the members having the largest exports of goods and services during the five-year period ending one year prior to the date of the revisions. The currencies comprising the basket and their amounts in the basket are as follows:

Currencies	Amounts
U.S. dollar	0.572
Deutsche mark	0.453
Japanese yen	31.8
French franc	0.800
Pound sterling	0.0812

The accounts are maintained on the accrual basis and, accordingly, income is recognized as it is earned and expenses are recorded as they are incurred except that income from interest from members that are overdue in their obligations to the Fund by six months or more is deferred and is recognized as income only when paid unless the member has remained current in settling charges when due (see Note 3). Following the termination of the Trust Fund as of April 30, 1981, residual administrative costs have been absorbed by the General Resources Account. It is the practice of the Fund to make all calculations on the basis of the exact number of days in the accounting period.

2. Loans

Loans were made from the Trust Fund to those eligible members that qualified for assistance in accordance with the provisions of the Trust Fund Instrument. The final Trust Fund loan installment was due on March 31, 1991. Interest on the outstanding loan balances is charged at the rate of $^1/_2$ of 1 percent per annum, and special charges are levied on late payments of interest and principal.

3. Overdue Obligations

At April 30, 1992, six members with obligations to the Trust Fund were late six months or more in discharging their obligations to the Fund and were not current in settling interest (six members at April 30, 1991). The recognition of income from interest on the loans outstanding to these members and special charges due from them is being deferred. At April 30, 1992, the total amount of deferred income, reflected in the balance sheet as interest and charges receivable and accrued and as deferred income amounts to SDR 28.1 million (SDR 22.7 million at April 30, 1991). Overdue loan repayments and interest and special charges due from these members were as follows:

	Loans		Interest and Special Charges	
	1992	1991	1992	1991
	In millions of SDRs			
Total overdue	157.7	157.8	26.6	20.8
Overdue six months or more	157.7	157.3	23.6	18.1
Overdue three years or more	140.4	112.4	10.4	6.6

The type and duration of the arrears of these members at April 30, 1992 were as follows:

Member	Loans	Interest and Special Charges	Total	Longest Overdue Obligation
	In millions of SDRs			
Liberia	25.0	5.0	30.0	January 1985
Sierra Leone	9.1	1.5	10.6	January 1987
Somalia	6.5	0.8	7.3	July 1987
Sudan	67.4	13.7	81.1	July 1984
Viet Nam	43.1	4.7	47.8	February 1984
Zambia	6.6	0.9	7.5	April 1989
Total	157.7	26.6	184.3	

4. Direct Distribution of Profits

The Fund decided that the Trustee make, through the Trust Fund, the direct distribution of part of the profits from the sale of gold for the benefit of developing members. The share of each developing member in this direct distribution of profits was calculated on the basis of its share in total Fund quotas as at August 31, 1975 and on the basis of the actual profits realized in the gold auctions.

The direct distribution of profits has been completed, except that an amount of US$3,990,776, representing the share of Cambodia, will continue to be held in the Trust Fund until relations with that member have been restored.

5. Transfer of Resources

The resources of the Trust Fund held on the termination date or subsequently received by the Trustee have been employed to pay interest and principal when due on loan obligations and to make transfers to the Special Disbursement Account.

SUPPLEMENTARY FINANCING FACILITY

SUBSIDY ACCOUNT

BALANCE SHEET

as at April 30, 1992

(In thousands of SDRs)
(Note 1)

	1992	1991
ASSETS		
Interest-earning deposits (Note 2)	2,773	3,884
Accrued interest on deposits	45	133
Total	2,818	4,017
RESOURCES		
Resources—Account balance	2,818	4,017

The accompanying notes are an integral part of the financial statements.

/s/ David Williams
Treasurer

/s/ M. Camdessus
Managing Director

SUPPLEMENTARY FINANCING FACILITY

SUBSIDY ACCOUNT

STATEMENT OF CHANGES IN RESOURCES

for the year ended April 30, 1992

(In thousands of SDRs)
(Note 1)

	1992	1991
Balance at beginning of the year	4,017	11,964
Investment income	222	504
Transfers to the Special Disbursement Account	(1,227)	(6,387)
Balance before subsidy payments	3,012	6,081
Subsidy payments (Note 3)	194	2,064
Balance at end of the year	2,818	4,017

The accompanying notes are an integral part of the financial statements.

SUPPLEMENTARY FINANCING FACILITY

SUBSIDY ACCOUNT

NOTES TO THE FINANCIAL STATEMENTS

Purpose

The Supplementary Financing Facility Subsidy Account, which is administered by the Fund, was established in December 1980 to assist low-income developing members to meet the cost of using resources made available through the Fund's supplementary financing facility and under the policy on exceptional use. All repurchases due under these policies were scheduled for completion by January 31, 1991 and the final subsidy payments were approved in July 1991. However, four members (Liberia, Peru, Sierra Leone, and Sudan), overdue in the payment of charges, remain ineligible to receive previously approved subsidy payments until their overdue charges are settled. Accordingly, the Account remains in operation and has retained subsidy payments due to these members in the form of interest-earning deposits until the overdue charges are paid.

The Fund determined that the resources of the Account are sufficient to meet its estimated needs, and resources in excess of the subsidy payments not yet paid were to be transferred back to the Special Disbursement Account. As of April 30, 1992, the cumulative amount of transfers to the Special Disbursement Account from the Subsidy Account amounted to SDR 83.1 million (SDR 81.8 million at April 30, 1991). The assets of the Account are separate from the assets of all other accounts of, or administered by, the Fund and are not to be used to discharge liabilities or to meet losses incurred in the administration of other accounts.

1. Accounting Practices

The accounts of the Supplementary Financing Facility Subsidy Account are expressed in terms of the SDR. The currency value of the SDR is determined by the Fund each day by summing the values in U.S. dollars, based on market exchange rates, of a basket of five currencies. The Fund's procedures require that the SDR valuation basket be reviewed every five years, and that the basket is to include the currencies of the members having the largest exports of goods and services during the five-year period ending one year prior to the date of the revisions. The currencies comprising the basket and their amounts in the basket are as follows:

Currencies	Amounts
U.S. dollar	0.572
Deutsche mark	0.453
Japanese yen	31.8
French franc	0.800
Pound sterling	0.0812

The accounts are maintained on the accrual basis and, accordingly, income is recognized as it is earned and expenses are recorded as they are incurred. It is the practice of the Fund to make all calculations on the basis of the exact number of days in the accounting period.

2. Interest-Earning Deposits

The assets of the Account, pending their disbursement, are held in the form of interest-earning time deposits denominated in SDRs.

3. Subsidy Payments

The amount of the subsidy was calculated as a percentage per annum of the average daily balances in each year of the Fund's holdings of recipient members' currencies subject to the schedule of charges applicable to the supplementary financing facility. The rate of subsidy paid was determined by the Fund in the light of the resources available. The subsidy could not exceed the equivalent of 3 percent per annum of the currency holdings resulting from purchases under the supplementary financing facility nor reduce the effective rate on the use of credit under the supplementary financing facility below the rate of charge on the use of the Fund's ordinary resources. Subsidy payments are withheld from members that have not paid the charges to which the subsidy applies. At April 30, 1992 and 1991, subsidy payments totaling SDR 2.5 million have not been made to four members.

OTHER ADMINISTERED ACCOUNTS

ESTABLISHED AT THE REQUEST OF MEMBERS

BALANCE SHEETS

as at April 30, 1992

(In thousands of U.S. dollars)

(Note 1)

	Administered Account— Guyana		Administered Account— Japan		Administered Technical Assistance Account— Japan		Voluntary Contribution Account— Bolivia	
	1992	1991	1992	1991	1992	1991	1992	1991
ASSETS								
Investments (Note 2)	352	321	97,000	86,700	1,075	1,059	10	2,004
Currency (Note 2)	—	—	50	11	—	—	979	—
Total	352	321	97,050	86,711	1,075	1,059	989	2,004
RESOURCES								
Resources—Account balance	352	321	97,050	86,711	1,075	1,059	989	2,004

The accompanying notes are an integral part of the financial statements.

/s/ David Williams
Treasurer

/s/ M. Camdessus
Managing Director

OTHER ADMINISTERED ACCOUNTS

ESTABLISHED AT THE REQUEST OF MEMBERS

STATEMENTS OF INCOME AND CHANGES IN RESOURCES

(Note 1)

	For the year ended April 30, 1992 (In thousands of U.S. dollars)								From January 28, 1992 to March 20, 1992 (In thousands of SDRs)
	Administered Account—Guyana		Administered Account—Japan		Administered Technical Assistance Account—Japan		Voluntary Contribution Account—Bolivia		Administered Account—Panama
	1992	1991	1992	1991	1992	1991	1992	1991	1992
Balance at beginning of the year	321	6,276	86,711	60,997	1,059	290	2,004	8,284	—
Contributions or transfers received	—	235,458	7,752	29,750	2,326	2,206	—	—	471,923
Income earned on investments	24	417	4,587	4,964	64	74	55	266	254
Net exchange valuation gain (loss)	7	24	—	—	—	—	—	—	(266)
	352	242,175	99,050	95,711	3,449	2,570	2,059	8,550	471,911
Payments to beneficiaries or disbursements	—	241,854	2,000	9,000	2,374	1,511	1,070	6,546	471,911
Balance at end of the year	352	321	97,050	86,711	1,075	1,059	989	2,004	—

The accompanying notes are an integral part of the financial statements.

OTHER ADMINISTERED ACCOUNTS

ESTABLISHED AT THE REQUEST OF MEMBERS

NOTES TO THE FINANCIAL STATEMENTS

Purpose

At the request of members, the Fund has established special purpose accounts to administer contributed resources, and to perform financial and technical services consistent with the purposes of the Fund. The assets of each Account are separate from the assets of all other accounts of, or administered by, the Fund and are not to be used to discharge liabilities or to meet losses incurred in the administration of other accounts.

Administered Account—Guyana

At the request of Guyana, the Fund established an Account on April 5, 1989, to administer resources made available by various contributors in connection with Guyana's adjustment effort. Cumulative contributions and transfers amounted to \$250.4 million and an amount of \$250.6 million, including interest earned on contributions, has been disbursed.

Administered Account—Japan

At the request of Japan, the Fund established an Account on March 3, 1989, to administer resources contributed by Japan that are to be used to assist certain members with overdue obligations to the Fund. The resources of the Account are to be disbursed as specified by Japan and to members designated by Japan. Cumulative contributions amounted to \$97.4 million, of which \$14 million has been disbursed.

Administered Technical Assistance Account—Japan

At the request of Japan, the Fund established an Account on March 19, 1990, to administer resources contributed by Japan that are to be used to finance technical assistance to member countries. Resources are to be used with the approval of Japan to assist members in resolving debt-related difficulties. Disbursements can also be made from the Account to the General Resources Account to reimburse the Fund for qualifying technical assistance projects. Cumulative contributions received by the Account amounted to \$4.8 million, of which \$3.9 million has been disbursed.

Voluntary Contribution Account—Bolivia

At the request of Bolivia, the Fund established an Account on October 21, 1987, to administer contributions to assist Bolivia in discharging a portion of the external indebtedness owed or guaranteed by it to nonofficial creditors. Cumulative contributions received by the Account amounted to \$50.4 million, and an amount of \$50.9 million, including interest earned on contributions, has been disbursed.

Administered Account—Panama

At the request of Panama, the Fund established an account on January 28, 1992, to administer resources to discharge Panama's overdue financial obligations to international financial institutions. The resources of the Administered Account were disbursed in accordance with the instructions of Panama. Cumulative transfers amounted to SDR 471.9 million and an amount of SDR 471.9 million, including interest earned on transfers, was disbursed.

1. Accounting Practices

The Accounts are expressed in U.S. dollars, except for the Administered Account—Panama, which was expressed in SDRs. All transactions and operations of the Accounts, including the transfers to and by the Accounts, are denominated in U.S. dollars except for the Administered Account—Guyana where they also can be expressed in freely usable currencies, and except for the Administered Account—Panama, which disbursed resources in U.S. dollars or in other currencies.

The Accounts are maintained on the accrual basis and, accordingly, income is recognized as it is earned and expenses are recorded as they are incurred. It is the practice of the Fund to make all calculations on the basis of the exact number of days in the accounting period.

2. Investments and Currency

The assets of the Accounts, pending their disbursement, are held in the form of repurchase agreements or in the form of interest-earning deposits, at cost, equal to market value. On April 30, 1992, an amount of \$979,000 was transferred from the Voluntary Contribution Account—Bolivia to the coordinating agent, but subsequently returned to the Account and included as currency.

3. Accounts Termination

Administered Account—Guyana

The Administered Account can be terminated by the Fund, by Guyana, or by the Chairman of the Support Group for Guyana. Otherwise, the Account shall be terminated on December 31, 1992, or such later date as may be agreed. Any proceeds that remain in the Account at termination shall be returned to the transferors, unless otherwise indicated by them.

Administered Account—Japan

The Administered Account can be terminated by the Fund or by Japan. Any resources in the Account at termination are to be returned promptly to Japan.

Administered Technical Assistance Account—Japan

The Administered Technical Assistance Account can be terminated by the Fund or by Japan. Any resources that may remain in the Account at termination, net of accrued liabilities under Technical Assistance Projects, are to be returned promptly to Japan.

Voluntary Contribution Account—Bolivia

The Voluntary Contribution Account can be terminated by the Fund or Bolivia. Any resources in the Account at its termination are to be returned to those that transferred assets to the Account or, in accordance with their instructions, to Bolivia.

Administered Account—Panama

The Administered Account was terminated by the Fund on March 20, 1992.

REPORT OF THE EXTERNAL AUDIT COMMITTEE

STAFF RETIREMENT PLAN

Washington, D.C.
June 25, 1992

Authority and Scope of Audit

In accordance with Section 20(b) of the By-Laws of the International Monetary Fund, we have audited the financial statements of the Staff Retirement Plan for the year ended April 30, 1992.

Our audit was conducted in accordance with generally accepted auditing standards and included reviews of the accounting and internal control systems, and tests of the accounting records. We evaluated the extent and results of the work of the outside accounting firm as well as that of the Office of Internal Audit and Review and also used other audit procedures as deemed necessary.

Audit Opinion

In our opinion, the financial statements of the Staff Retirement Plan have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, and give a true and fair view of the financial status of the Staff Retirement Plan as at April 30, 1992 and of the changes in financial status for the year then ended.

EXTERNAL AUDIT COMMITTEE:

/s/ Jean-Louis Berthet, Chairman (*France*)
/s/ Jayechund Jingree (*Mauritius*)
/s/ Pablo Zegarra (*Bolivia*)

STAFF RETIREMENT PLAN

STATEMENT OF ACCUMULATED PLAN BENEFITS

AND NET ASSETS AVAILABLE FOR BENEFITS

as at April 30, 1992

(In thousands of U.S. dollars)

(Note 1)

	1992	1991
Accumulated Plan Benefits		
Actuarial present value of accumulated Plan benefits		
Vested benefits		
Retired participants	368,400	341,100
Active participants	346,200	266,900
Nonvested benefits	456,200	429,400
Total actuarial present value of accumulated Plan benefits	1,170,800	1,037,400
Net Assets Available for Benefits		
Investments, at current value (Note 3)		
Portfolio denominated in U.S. dollars	981,078	959,203
Portfolio denominated in other currencies	536,458	398,721
	1,517,536	1,357,924
Receivables		
Accrued interest and dividends	9,391	8,718
Contributions	818	283
Other	10	41
	10,219	9,042
Cash at bank	54	94
Total assets	1,527,809	1,367,060
Liabilities		
Accounts payable	2,060	2,586
Net assets available for benefits	1,525,749	1,364,474
Excess of net assets available for benefits over actuarial present value of accumulated Plan benefits (Note 2)	354,949	327,074

The accompanying notes are an integral part of the financial statements.

/s/ David Williams
Treasurer

/s/ M. Camdessus
Managing Director

STAFF RETIREMENT PLAN

STATEMENT OF CHANGES IN ACCUMULATED PLAN BENEFITS

for the year ended April 30, 1992

(In thousands of U.S. dollars)
(Note 1)

	1992	1991
Actuarial present value of accumulated Plan benefits at beginning of the year	1,037,400	806,700
Increase (decrease) during the year attributable to		
Benefits accumulated (Note 1)	77,139	183,119
Increase for interest due to decrease in discount period	86,900	76,100
Benefits paid	(30,639)	(28,519)
Net increase	133,400	230,700
Actuarial present value of accumulated Plan benefits at end of the year	1,170,800	1,037,400

The accompanying notes are an integral part of the financial statements.

STAFF RETIREMENT PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

for the year ended April 30, 1992

(In thousands of U.S. dollars)
(Note 1)

	1992	1991
Investment Income		
Net gain in current value of investments (Note 3)	94,996	76,725
Interest and dividends	68,451	68,304
	163,447	145,029
Contributions (Note 2)		
International Monetary Fund	20,440	6,289
Participants	13,739	12,038
Net transfers from (to) retirement plans of other international organizations	628	(11)
Participants restored to service	239	343
	35,046	18,659
Total additions	198,493	163,688
Benefits		
Pension	25,922	23,348
Commutation	2,832	2,256
Withdrawal	1,687	2,485
Death	198	430
	30,639	28,519
Investment Fees		
Manager	5,655	5,998
Custodian	924	824
	6,579	6,822
Total payments	37,218	35,341
Net additions	161,275	128,347
Net Assets Available for Benefits at		
Beginning of year	1,364,474	1,236,127
End of year	1,525,749	1,364,474

The accompanying notes are an integral part of the financial statements.

STAFF RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS

Description of the Plan

General

The Staff Retirement Plan (Plan) is a defined benefit pension plan covering nearly all staff members of the International Monetary Fund (Employer). All assets and income of the Plan are the property of the Employer 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, retired participants, and their beneficiaries.

Benefits

Annual Pension

Participants are entitled to an unreduced pension beginning at normal retirement age of 62. The amount of the pension is based on the number of years of service, age at retirement, and highest average gross remuneration. The provisions for determining gross remuneration are different for benefits earned before and after May 1, 1990. The gross remuneration on which pensions from the Plan are based is limited to a predetermined amount, which is periodically adjusted. Pension benefits attributable to gross remuneration in excess of this amount are paid from the Supplemental Retirement Benefit Plan.

The accrual rate of benefits earned before May 1, 1990 was 2 percent of gross remuneration for each year of service, while the accrual rate of benefits earned after May 1, 1990 is 2.2 percent for the first 25 years of service and 1.8 percent for the next 10 years of service. The pensions of participants hired before May 1, 1990 are based on a prorated combination of the old and new accrual rates, using the time period of service before and after May 1, 1990.

Participants between the ages of 50 and 55 may retire with a reduced pension if their age and years of service total at least 75. Participants age 55 and older may retire with an unreduced pension if the sum of their age and years of service equals 85 or more. Early retirement pensions are based on normal pensions.

Cost of Living Adjustment

Whenever the cost of living increases during a financial year, pensions shall be augmented by a pension supplement that, expressed in percentage terms, shall be equal to the increase in the cost of living for the financial year. If the cost of living increase for a financial year should exceed 3 percent, the Employer has the right, for good cause, to reduce prospectively the additional supplement to not less than 3 percent. Deferred pensions become subject to cost of living adjustments when the sum of a former participant's age and years of service is at least 50.

Withdrawal Benefit

Upon termination, a participant with at least three years of eligible service may elect to receive either a withdrawal benefit or a deferred pension to commence after the participant has reached the age of 55 or age 50 if age and years of service add to at least 75. The withdrawal benefit is a percentage of the participant's highest average gross remuneration.

Commutation

A pensioner entitled to receive a normal, early retirement, or deferred pension may elect to commute up to one third of his or her pension, and receive a lump-sum amount at retirement in lieu of the amount of pension commuted. A participant entitled to receive a disability pension may elect to commute one third of the early retirement pension that would otherwise have been applicable.

Disability Pensions, Death Benefits, and Survivor Benefits

The Plan also provides for disability pensions, death benefits, and benefits to surviving spouses and children of deceased participants.

Currency of Pension Payments

A participant may elect to have his pension paid in the currency of the country in which he has established permanent residence or in a combination of two currencies—the U.S. dollar and the currency of the country in which the participant is a permanent resident. As a result of an amendment to the Plan that became effective on May 1, 1991, the additional cost of paying pensions in local currency, formerly paid by the administrative budget, is now paid by the Plan.

Contributions

Participants

As a condition of employment, regular staff members are required to participate in and to contribute to the Plan. The contribution rate is presently 7 percent of the participant's gross remuneration. Certain other categories of staff members may elect to participate in the Plan.

Employer

The Employer meets certain administrative costs of the Plan, such as the actuary's fees, and contributes any additional amount not provided by the contribution of participants to pay costs and expenses of the Plan not otherwise covered. In 1992 the administrative costs met by the Employer were approximately $0.06 million ($0.2 million in 1991).

Plan Termination

In the event of the termination of the Plan by the Employer, the assets of the Plan shall be used to satisfy all liabilities to participants, retired participants, and their beneficiaries, and all other liabilities of the Plan. Any remaining balance of the assets shall be returned to the Employer.

1. Accounting Practices

Accumulated Plan Benefits

The actuarial value of vested benefits is presented for two categories. For retired participants, the amount presented equals the present value of the benefits expected to be paid over the future lifetime of the pensioner, and, if applicable, the surviving spouse of the pensioner. For active participants, the amount presented equals the present value of the deferred pension earned to the valuation date for a participant, or, if greater, the value of the withdrawal benefit for that participant, summed over all participants. For the purpose of determining the actuarial value of the vested benefits at the end of the Plan year, it is assumed that the Plan will continue to exist and that salaries will continue to rise, but that participants will not earn pension benefits beyond the date of the calculation.

The amount of nonvested benefits represents the total of the withdrawal benefits of all participants with less than three years of eligible service together with the estimated effect of projected salary increases on benefits expected to be paid.

In contrast to the actuarial valuation for funding purposes, the actuarial valuation used for the financial statements represents the portion of the benefit obligation that had been accumulated by April 30, 1992. It reflects only the service to that date and does not take into account the fact that the value of accumulated benefits, which are the Plan's liabilities, are expected to increase each year. Nor does it take into account the fact that the market value of investments may fluctuate from year to year, which is significant because the employer's liability is the excess of the present value of accumulated benefits over the value of the assets. Accordingly, the financial statements do not measure the amount that the Employer will be required to fund in the future.

Valuation of Investments

Investments in securities listed on stock exchanges are valued at the last reported market sales price on the last business day of the accounting period. Over-the-counter securities are valued at their bid price on the last business day of the accounting period. Investments in real estate are valued at the last reported appraisal value. Purchases and sales made by U.S. investment managers are recorded on the settlement date basis, and transactions made by the international investment managers are recorded on the trade date basis.

Investment Income

Dividend and interest income from investments are recognized as they are earned.

2. Actuarial Valuation and Funding Policy

Under the actuarial valuation used for funding calculations, it is assumed that the Plan will continue to exist and that active participants will continue to earn pension benefits beyond the date of the valuation until the date of withdrawal, disability, death, or retirement, but that no new participant will join the Plan (the "closed method").

Funding by the Employer is based upon a valuation method, known as the "aggregate method," which expresses liabilities and contribution requirements as single consolidated figures that include provision for experience gains and losses and cost of living increases. Required Employer contributions are expressed as a percentage to be applied to the gross remuneration of participants and are based upon the valuation completed 12 months previously. For the financial year that began on May 1, 1990, this rate was 3.91 percent and was 10.46 percent for the year that began on May 1, 1991 based upon the valuation at April 30, 1990. The proposed rate for the year beginning May 1, 1992 is 13.41 percent of the new gross remuneration.

The actuarial assumptions used in the valuation to determine the Employer contribution in recent years include (a) life expectancy based upon the 1980 and 1982 United Nations mortality tables for men and women, respectively, (b) withdrawal or retirement of a certain percentage of staff at each age, differentiated by sex, (c) an average rate of return on investments of 8.5 percent per annum, (d) an average inflation rate of 5 percent per annum, (e) salary increase percentages that vary with age, and (f) valuation of assets using a five-year moving average method.

Several of the actuarial assumptions used to determine the Employer contribution were changed for years beginning after April 30, 1991. The changes include (1) basing life expectancies on the 1984 and 1982 United Nations mortality tables for men and women, respectively, with each table set back one year and (2) increasing the liabilities of the Plan by 1 percent to reflect the May 1, 1991 incorporation into the Plan of the Pension Parity Adjustment System and are reflected in the 1991 and 1990 valuations.

The results of the April 30, 1991 and 1990 valuations are:

	1991	1990
	In millions of U.S. dollars	
Present value of benefits payable	1,632	1,460
Less: Assets for valuation purposes	1,259	1,155
Required future funding	373	305
Less: Present value of prospective contributions from participants (7 percent of gross remuneration)	136	126
Present value of future funding required from the Employer	237	179

3. Investments

A summary of investments at market values is as follows:

	1992	1991
	In thousands of U.S. dollars	
Portfolio denominated in U.S. dollars		
Common and preferred stock	651,847	613,570
Short-term investments	159,493	38,089
U.S. Government securities	86,727	174,085
Real estate	45,012	46,735
Corporate bonds and debentures	36,141	82,550
Venture capital	1,858	1,535
Mortgage	—	2,639
	981,078	959,203
Portfolio denominated in other currencies	536,458	398,721
	1,517,536	1,357,924

The net gain in the current value of investments represents the gains (and losses) realized during the year from the sale of investments, the unrealized appreciation (and depreciation) of the market value of investments, and, for investments denominated in currencies other than U.S. dollars, valuation differences arising from exchange rate changes of other currencies against the U.S. dollar.

REPORT OF THE EXTERNAL AUDIT COMMITTEE

SUPPLEMENTAL RETIREMENT BENEFIT PLAN

Washington, D.C.
June 25, 1992

Authority and Scope of Audit

In accordance with Section 20(b) of the By-Laws of the International Monetary Fund, we have audited the financial statements of the Supplemental Retirement Benefit Plan for the year ended April 30, 1992.

Our audit was conducted in accordance with generally accepted auditing standards and included reviews of the accounting and internal control systems, and tests of the accounting records. We evaluated the extent and results of the work of the outside accounting firm as well as that of the Office of Internal Audit and Review and also used other audit procedures as deemed necessary.

Audit Opinion

In our opinion, the financial statements of the Supplemental Retirement Benefit Plan have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, and give a true and fair view of the financial status of the Supplemental Retirement Benefit Plan as at April 30, 1992 and of the changes in financial status for the year then ended.

EXTERNAL AUDIT COMMITTEE:

/s/ Jean-Louis Berthet, Chairman (*France*)
/s/ Jayechund Jingree (*Mauritius*)
/s/ Pablo Zegarra (*Bolivia*)

SUPPLEMENTAL RETIREMENT BENEFIT PLAN

STATEMENT OF ACCUMULATED PLAN BENEFITS

AND ASSETS AVAILABLE FOR BENEFITS

as at April 30, 1992

(In thousands of U.S. dollars)

(Note 1)

	1992	1991
Accumulated Plan Benefits		
Actuarial present value of accumulated Plan benefits		
Vested benefits	4,600	1,700
Nonvested benefits	100	100
Total actuarial present value of accumulated Plan benefits	4,700	1,800
Assets Available for Benefits		
Receivable		
Contributions	2	—
Other	—	15
	2	15
Cash at bank (Note 3)	340	461
Assets available for benefits	342	476
Excess of actuarial present value of accumulated Plan benefits over assets available for benefits	4,358	1,324

The accompanying notes are an integral part of the financial statements.

/s/ David Williams
Treasurer

/s/ M. Camdessus
Managing Director

SUPPLEMENTAL RETIREMENT BENEFIT PLAN

STATEMENT OF CHANGES IN ACCUMULATED PLAN BENEFITS

for the year ended April 30, 1992

(In thousands of U.S. dollars)

(Note 1)

	1992	1991
Actuarial present value of accumulated Plan benefits at the beginning of the year	1,800	1,000
Increase (decrease) during the period attributable to		
Benefits accumulated	3,129	846
Increase for interest due to decrease in discount period	100	100
Benefits paid	(329)	(146)
Net increase	2,900	800
Actuarial present value of accumulated Plan benefits at the end of the year	4,700	1,800

The accompanying notes are an integral part of the financial statements.

SUPPLEMENTAL RETIREMENT BENEFIT PLAN

STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR BENEFITS

for the year ended April 30, 1992

(In thousands of U.S. dollars)
(Note 1)

	1992	1991
Interest income	21	20
Contributions		
International Monetary Fund	123	393
Participants	51	42
	174	435
Total additions	195	455
Benefits		
Pension	293	108
Commutation	36	38
Total payments	329	146
Net increase (decrease)	(134)	309
Assets Available for Benefits at		
Beginning of the year	476	167
End of the year	342	476

The accompanying notes are an integral part of the financial statements.

SUPPLEMENTAL RETIREMENT BENEFIT PLAN

NOTES TO THE FINANCIAL STATEMENTS

Description of Supplemental Retirement Benefit Plan

General

The Supplemental Retirement Benefit Plan (SRBP) is a defined benefit pension plan covering all participants of the Staff Retirement Plan of the International Monetary Fund (Employer) and operates as an adjunct to that Plan. All assets and income of the SRBP are the property of the Employer 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 and their beneficiaries.

Benefits

The Staff Retirement Plan has adopted limits to pensions payable from that Plan. The SRBP provides for the payment of any benefit that would otherwise have been payable if these limits had not been adopted.

In 1992, 20 pensioners received benefits from the SRBP (15 in 1991).

Contributions

Participants with gross remuneration exceeding a predetermined limit are required to contribute 7 percent of their gross remuneration in excess of this limit to the SRBP. The Employer meets administrative costs of the SRBP and contributes any additional amounts not provided by the contributions of participants to pay costs and expenses of the SRBP not otherwise covered.

The Employer makes regular contributions in relation to non-U.S. citizens whose calculated gross remuneration exceeds the predetermined limit, as adjusted. There is also a partial prefunding by the Employer, just prior to retirement, when non-U.S. citizens retire in the United States, so that the taxable income of the participant is approximately equal to, but not more than, such income that would have accrued if the entire benefit had been payable from any of the prefunded assets of the Staff Retirement Plan. The contributions of participants and the prefunded amounts are used to pay any of the benefits payable, whether for U.S. or non-U.S. staff. Should the assets of the SRBP be exhausted, benefits will be paid from current contributions by the Employer.

SRBP Termination

In the event of the termination of the SRBP by the Employer, the assets of the SRBP shall be used to satisfy all liabilities to participants, retired participants and their beneficiaries, and all other liabilities of the SRBP.

1. Accounting Practices

Accumulated SRBP Benefits

The actuarial present value of accumulated SRBP benefits is stated as at the date of the most recent actuarial valuation, which was April 30, 1992. The actuarial value of benefits is presented for two categories. The vested benefits relate to retired participants and the amount presented equals the present value of the benefits expected to be paid over the future lifetime of the pensioner, and, if applicable, the surviving spouse of the pensioner.

The nonvested benefits relate to active participants and the amount presented equals the present value of the supplemental deferred pension earned to the valuation date for a participant, taking into account the estimated effect of projected salary increases. For the purpose of determining the actuarial value of the benefits at the end of the period, it is assumed that the SRBP will continue to exist, but that participants will not accumulate further contributory service beyond the date of the calculation.

Interest Income

Interest income from investments is recognized as it is earned.

2. Actuarial Valuation

The actuarial assumptions used in the valuation to determine the employer contribution in recent years include (a) life expectancy based upon the 1980 and 1982 United Nations mortality tables for men and women, respectively, (b) withdrawal or retirement of a certain percentage of staff at each age, differentiated by sex, (c) an average rate of return on investments of 8.5 percent per annum, (d) an average inflation rate of 5 percent per annum, (e) salary increase percentages which vary with age, and (f) valuation of assets using a five-year moving average method.

Several of the actuarial assumptions used to determine the employer contribution were changed for years beginning after April 30, 1991. The changes include (1) basing life expectancies on the 1984 and 1982 United Nations mortality tables for men and women, respectively, with each table set back one year and (2) increasing the liabilities of the SRBP by 1 percent to reflect the May 1, 1991 incorporation into the SRBP of the Pension Parity Adjustment System.

3. Assets

Cash balances are maintained in a money market account.