INTERNATIONAL MONETARY FUND

Report of the Managing Director to the International Monetary and Financial Committee on the IMF's Policy Agenda

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I. Introduction

1. The Spring Meetings of the IMF and World Bank are an important opportunity for members of the international community to demonstrate their readiness to work together to safeguard the global economy, at a time of heightened risk and uncertainty. Deliberations in the International Monetary and Financial Committee (IMFC) will be a crucial part of this process. The IMF has six key objectives for the period ahead, which form part of the context for this meeting:

- Taking stock of the global economic and financial situation, and identifying appropriate steps to build confidence and restore the momentum of the economic recovery.
- Reviewing initiatives underway to strengthen the framework for Fund surveillance and crisis prevention, and areas where further work is needed.
- Moving forward in our agenda for improving crisis resolution, including a stronger framework for dealing with sovereign debt problems;
- Helping members with strong policies to cope with the challenges of an integrated global economy;
- Gaining support for measures to enhance the Fund's effectiveness in helping low-income and highly indebted poor countries and contributing to the fight against world poverty; and
- Preserving an adequate financial base for the Fund and strengthening its cooperative nature.

In addition, the IMFC will receive progress reports on the work on anti-money laundering and combating the financing of terrorism; the IMF's transparency policies; and the activities of its Independent Evaluation Office (IEO).

2. National economic policies have a decisive role in improving economic performance, but effective international cooperation is also essential for charting a successful course through this difficult period. The IMF is, first and foremost, a cooperative institution dedicated to preserving the benefits of global economic integration and trying to ensure that those benefits are broadly shared among its member countries. In the IMFC, our members will continue to draw upon their different experiences and perspectives to find better ways to promote stability and growth. The international community must also mobilize this cooperative spirit, and a sense of urgency, to press ahead with the comprehensive efforts needed to fight poverty and achieve the Millennium Development Goals (MDGs).

3. The Doha Round of multilateral trade negotiations is critical for all of these efforts. It offers prospects for greatly boosting world incomes and growth by unshackling competition in areas such as agriculture and services, and by enabling developing countries to participate more fully in the benefits of the international trading system. The political will must be found to overcome vested interests and ensure the success of the Cancún Ministerial of the WTO in September. Demonstrating progress in the trade negotiations would also provide a major boost to confidence in the current global environment. Conversely, further delay in the timeline of the negotiations would send a bad signal to the world economy at exactly the wrong moment, and weaken a key pillar of support for the fight against world poverty.

4. An important underlying source of strength for the global economy is the resilience that many countries, and the international financial system as a whole, have recently demonstrated in the face of shocks. Progress in the reform of the international financial architecture, through collective efforts of the international community—national governments, international institutions (like the IMF, World Bank, and BIS), and new fora, such as the Financial Stability Forum (FSF) and G-20 have served to increase this resilience. The IMF has contributed to this effort through wide-ranging reforms of its policies and procedures, designed to ensure that the institution lives up to its responsibility as a confidence-building anchor for the international financial system. The continued ability to bounce back from adversity will require the maintenance of strong macroeconomic policy frameworks and building further on those structural reforms, that have been put in place in many countries, and which have made economies more flexible and dynamic. Other actions that will be important to sustaining confidence include progress on trade liberalization (as mentioned above) and the strengthening of corporate governance, accounting, and auditing systems.

5. The process of change and fundamental reform that is underway at the IMF is designed to enhance its effectiveness in promoting macroeconomic stability and sustained growth, preventing financial crises, and safeguarding the stability of the international financial system. This report provides an overview of the IMF's policy agenda, with particular emphasis on developments since the September 2002 meeting of the IMFC and work program for the period ahead.[1]

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[1] Report of the Managing Director to the International Monetary and Financial Committee on the IMF in a Process of Change, IMFC/Doc/6/02/8, Revision 1 (9/25/02).

II. Strengthening IMF Surveillance and Crisis Prevention

A. The Evolving Framework for IMF Surveillance

6. Surveillance lies at the heart of the Fund's efforts to help prevent crises.[2] The Fund has taken a variety of measures in recent years to strengthen surveillance, in order to reflect the increased importance of international capital markets and the lessons of previous international financial crises, and to enhance its contribution to crisis prevention.[3] The aim of these initiatives is to encourage members to adopt policies and institutional reforms that support sustained and balanced global growth, strengthen the resilience of their economies to adverse external developments and financial stresses, and contribute to the stability of the international financial system.

- The Fund's advice to members emphasizes the critical role of policies that can provide **buffers against external and domestic shocks**. Important among these are better debt and reserve management; sound budgets that leave room to maneuver in difficult times; efficient and diversified financial sectors; and more effective social safety nets. In addition, while the appropriate exchange rate policy regime depends on the member's circumstances **flexible exchange rates** can play a particularly critical role in open economies, not only as a buffer, but also as a tool for promoting orderly adaptation over time to changing economic conditions.

- The Fund has spearheaded initiatives to improve the **quality, timeliness, and availability of data** on foreign exchange reserves, debt, and other indicators of external vulnerability, and to strengthen data provision to the Fund.

- The IMF and World Bank are using their joint **Financial Sector Assessment Program** (FSAP) to help countries detect sources of financial vulnerability and build sound financial sectors. In the process, they are paying careful attention to the **sequencing of capital account liberalization** and **financial sector development**.

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[2] Under Article IV of its Articles of Agreement, the Fund is responsible for exercising surveillance over the exchange rate policies and underlying economic policies of its members. All members are obligated to engage in a regular policy dialogue and periodic assessment of their policies by the Executive Board (known also as *bilateral surveillance* or *Article IV surveillance*). In addition, the staff and Executive Board monitor and assess developments in the global economy and the international financial system (*multilateral surveillance*). Major vehicles are the semiannual discussions of the World Economic Outlook (WEO) and Global Financial Stability Report (GFSR), complemented by a range of more specialized Board discussions and seminars, more frequent informal reviews of global economic and financial developments, and the Fund's research agenda and outreach to financial market participants.

[3] The findings of a number of recent assessments of Fund surveillance, and the reforms that have been introduced in response, are outlined in Enhancing the Effectiveness of Surveillance: Operational Responses, the Agenda Ahead, and Next Steps, SM/03/96 (3/14/03). A detailed discussion of the evolution of Fund surveillance up to March 2002 can be found in Section II of Biennial Review of the Implementation of the Fund's Surveillance and of the 1977 Surveillance Decision: Framework and Conduct of Surveillance in 2000-01, SM/02/82, Supplement 1 (3/15/02). The further changes agreed at the conclusion of the 2002 biennial surveillance review are described in the Operational Guidance Note for Staff Following the 2002 Biennial Surveillance Review, SM/02/92 (9/13/02).

- The Fund has enhanced its capacity to **monitor and analyze developments in international financial markets**, through the creation of the International Capital Markets Department and the Capital Markets Consultative Group, and it is cooperating with other international institutions, the private sector, and civil society in **exploring ways to support the sustainability of international capital flows** without impairing the dynamism of markets.

- The Fund and Bank have taken a central role in the development, implementation, and assessment of internationally recognized **standards and codes,** in areas that are crucial for the functioning of a modern economy. These are intended to identify ways to strengthen institutional capacity and improve the functioning of markets. The core standards and codes have become widely accepted as benchmarks for sound economic management in a globalized economy.

- There has been steady improvement in the **public release of economic information by the IMF's member countries**, and in **transparency at the IMF itself**. This provides the basis for greater accountability, better risk assessment, and sounder decision-making by both the public and private sectors.

- As another element in a culture of **greater openness and accountability**, the Fund has stepped up the its cooperation with other international organizations and outreach to civil society, and has established an Independent Evaluation Office (IEO) to subject its policies to deep and systematic scrutiny.

7. In the period since the last IMFC meeting in September 2002, a number of additional steps have been taken to enhance IMF surveillance and its contribution to crisis prevention. Notably:

    - The **new analytical framework for debt sustainability assessments,** first adopted in June 2002, is now being used in surveillance reports for members with significant market access, as well as requests for use of Fund resources in the General Resources Account.[4] This new approach has become a key reference point for assessing debt sustainability and identifying possible policy responses to emerging vulnerabilities in emerging markets. A review of the debt sustainability framework, planned for mid-2003, will take stock of how it has been applied and explore possible improvements.

    - Responding to the weaknesses of **surveillance in program countries** identified in the 2002 biennial surveillance review, steps are being taken to ensure that Article IV consultations in program countries "step back" and provide an opportunity for reassessment of the program strategy. Recent

[4] See Concluding Remarks by the Acting Chair—Assessing Sustainability, BUFF/02/86 (6/24/02).

consultation reports designed to provide a fresh perspective have been well received by the Executive Board and informed public. The Board recently endorsed further steps to strengthen surveillance in program countries, in response to the IEO's evaluation report on the prolonged use of Fund resources.[5]

- The Management and staff of the Fund have put in place a **system for conducting for internal staff use independent, high-frequency assessments of crisis vulnerabilities** in countries that are potentially exposed to capital account shocks.[6] This system pulls together information on global economic and market developments, analyses of vulnerabilities and financing scenarios prepared by area departments, early warning indicators, information on vulnerabilities in specific sectors, and market intelligence, to assess the likelihood of incipient crises and consider policies to forestall them. The resulting integration of bilateral and multilateral surveillance draws on institutional knowledge from experiences in a wide range of countries, thus offering a valuable contrast of different perspectives.

- Surveillance over the **global impact of the trade policies of the largest economies** has been stepped up, in the context of both multilateral and bilateral surveillance. This reflects both the importance of these issues for effective surveillance, and the need for greater coherence between trade policies and financial assistance in the pursuit of the Millennium Development Goals.

- The Fund has taken steps to make clearer the signals it conveys to official and private creditors about the strength of a member's policies.[7] In January 2003, the Board agreed that staff-monitored programs should not be used to provide such signals, but that this should be done for the time being through the regular assessments produced in the course of Article IV surveillance work. The Fund staff's response to *ad hoc* requests for assessments will follow agreed guidelines to ensure that the recipient of the response would be clear about the strength of the member's macroeconomic policies.

[5] Conclusions of the Task Force on Prolonged Use of Fund Resources—The Acting Chair Summing Up, BUFF/03/51 (4/8/03).

[6] See Approaches to Vulnerability Assessment for Emerging Market Economies (SM/01/301, 10/3/01).

[7] The Acting Chair's Summing Up on Signaling Assessments of Members' Policies, EBM/03/5, January 29, 2003, BUFF/03/10, (01/31/03).

B. The Agenda for Further Improvement

8. In its September 2002 Communiqué, the IMFC asked for a report by its next meeting on ways to further enhance the effectiveness of Fund surveillance. Our report emphasizes the need for fuller implementation of the existing framework for surveillance, along with further enhancements in six critical areas.

9. First, while a broad consensus has emerged on the types of policies that help to provide buffers against external shocks, questions remain about the **appropriate calibration of the Fund's policy advice** in these areas. For instance, the recent experience in some emerging market countries suggests that prudent debt levels are lower than previously thought, and has focused new attention on the magnitude of risks in highly dollarized economies. We will be working to improve the analytical basis for the Fund's policy advice in such areas, and to identify criteria for gauging the soundness of policies that could lead to clearer and more objective assessments.

10. Second, in order to strengthen our policy advice, we will also be looking at ways to integrate **insights from cross-country experiences more systematically** into Fund surveillance. Cross-country experience is one of the Fund's most valuable assets and we need to ensure that it is utilized more fully in our analyses and our policy dialogue with member countries.

11. Third, experience in a number of recent crises suggests that the ability to implement policies that reduce vulnerabilities depends on the robustness of domestic political institutions and the capacity to mobilize political consensus in favor of needed adjustment measures. Given the importance of these political factors, in its response to the IEO's evaluation of prolonged use of Fund resources, the Board encouraged the staff to **enhance its analysis and reporting of political economy issues in staff reports**. This effort is to proceed in an evolutionary manner, based on a close dialogue with member countries and building on treatment already accorded to such issues in post-conflict cases and in countries facing severe governance issues.[8]

12. Fourth, policy initiatives on transparency, multilateral surveillance, and surveillance over systemic effects of members' trade policies have been designed, in part, to enhance the impact of the Fund's advice on systemically and regionally important countries—particularly the advanced industrial countries, whose trade, macroeconomic, and financial policies have a major impact on other members and the system as a whole. However, in view of the widespread concern that the views of the Fund on such members' policies are still not taken sufficiently into account, we will be taking a close look in the period ahead at possible **ways to draw attention to the positive and negative externalities of systemically and regionally important countries' policies**.

[8] See the Conclusions of the Task Force on Prolonged Use of Fund Resources, SM/03/46 (02/5/03).

13. Fifth, **the Fund must continue to grapple with the trade offs between the objectives of transparency and candor in the Fund's policy assessments and prescriptions.** Our imperative must be full candor in the staff's diagnoses and prescriptions to the Board. Subject to that overriding objective, efforts should be made to continue boosting rates of publication of Article IV and UFR staff reports.

14. Sixth, we will carefully examine ways of **enhancing the role of surveillance in program countries**, including through a special guidance note to staff which will bring together the various steps taken to help ensure an independent assessment of economic conditions and policies. We will assess the impact of these changes at the time of the next surveillance review.

C. Review of the CCL

15. The Contingent Credit Lines (CCL) were designed as a way to enhance incentives for sound policies and provide a better safety net for good performers, to help protect them against contagion in international financial markets. The Fund is currently engaged in a review of the CCL, aimed at addressing issues that have so far limited its use, especially:

(i) Concerns by members that a CCL request could be viewed as a sign of weakness, rather than of strong policies;

(ii) The possibility that a country's withdrawal from the CCL (or a determination that it no longer meets the requirements) might trigger adverse consequences; and

(iii) An impression that the CCL might not provide greater assurances of timely financing than other Fund facilities and policies.

16. In addition to its consultations with members and Executive Directors, the staff has engaged in extensive outreach with market participants on these and other issues related to the functioning of the facility. The Board expects to continue its discussions, in the period prior to the scheduled expiration of the facility in November 2003, although at present there does not appear to be sufficient support to extend the CCL when it expires in November of this year. In the interim, it has asked the staff to explore ways that it might be possible to use strengthened IMF surveillance and precautionary arrangements to achieve the objectives of the CCL in helping member countries with sound policies to confront the challenges of globally integrated capital markets.[9]

[9] Review of Contingent Credit Lines (CCL), SM/03/64 (2/12/03) and Summing Up on Review of CCL, BUFF/03/38 (03/20/03).

D. The Standards and Codes Initiative and the FSAP

17. The standards and codes initiative and Financial Sector Assessment Program (FSAP) have been crucial elements of the IMF's reform agenda. The development, dissemination, and assessment of **internationally recognized standards and codes of good practice** is helping to enhance institutional capacity in member countries and promote better risk assessment in markets—while also providing critical input for surveillance in areas that have not been part of the Fund's traditional domain, but which played an important role in recent financial crises. The initiative, which began with the establishment of the Fund's Special Data Dissemination Standard in 1996, has grown to cover 12 core areas that are regarded as particularly important for the functioning of markets and the operational activities of the IMF and World Bank (see Box 1). Voluntary assessments of member countries' observance of standards and codes in these core areas (through Reports on the Observance of Standards and Codes, or ROSCs) were initiated as a pilot program in 1999, and have since become an established operational activity in both institutions. The standards initiative has also attracted growing attention from financial market participants and ratings agencies. As of end-2002, over 340 ROSCs had been prepared for 89 countries; many emerging market economies have completed one or more ROSCs, and most systemically important countries have volunteered for assessments. However, the coverage of ROSCs remained very uneven across regions (see Table 1).

18. The **FSAP**, which began as an experimental pilot program in 1999, **is now the primary vehicle for developing information on financial sector policies, institutions, and vulnerabilities as an input to Fund surveillance**. At the same time, it serves as an increasingly important mechanism for identifying priorities for institutional development and technical assistance for both the Fund and Bank. FSAP missions to member countries prepare assessments of the observance of standards and codes (and associated ROSCs) in as many as nine key areas, while also using a variety of analytical tools (including stress tests and financial soundness indicators) to assess the implications of the macroeconomic environment and policies for the health of the financial sector, and evaluate possible systemic risks.[10] By mid-March 2003, FSAPs had been completed for 45 countries or regions, another 25 were underway, and a further 27 countries had committed to future participation (Table 2).

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[10] The standards and codes that may be assessed in FSAP missions can include the code on *Monetary and Financial Transparency;* the *Basel Core Principles for Banking Supervision*, the *IOSCO Objectives for Securities Regulation;* the *IAIS Insurance Core Principles*; the *CPSS Core Principles for Systemically Important Payments Systems;* the *FATF 40+8 Recommendations on Anti-Money Laundering and Combating the Financing of Terrorism*; the OECD's *Principles of Corporate Governance*; the IASB's *International Accounting Standards;* and the IFA's *International Standards on Auditing*.

Box 1. Core Standards and Codes for Bank and Fund Operational Work

1. *Areas defined as within the Fund's operational focus when the ROSC pilot was initiated***.**

Data Transparency: the Fund's *Special Data Dissemination Standard/General Data Dissemination System* (SDDS/GDDS, and Data Quality Assessment Framework).

Fiscal Transparency: the Fund's *Code of Good Practices on Fiscal Transparency.*

Monetary and Financial Policy Transparency: the Fund's *Code of Good Practices on Transparency in Monetary and Financial Policies* (usually assessed by the Fund and the Bank under the Joint Fund-Bank Financial Sector Assessment Program (FSAP)).

Banking Supervision: Basel Committee's *Core Principles for Effective Banking Supervision* (BCP).

2. *Additional areas that are assessed mainly under the Joint Bank/Fund FSAP.*

Securities: International Organization of Securities Commissions' (IOSCO) *Objectives and Principles for Securities Regulation*.

Insurance: International Association of Insurance Supervisors' (IAIS) *Insurance Core Principles.*

Payments Systems: Committee on Payments and Settlements Systems' (CPSS) *Core Principles for Systemically Important Payments Systems.*

Anti-money Laundering and Combating the Financing of Terrorism: Financial Action Task Force's (FATF's) *40+8 Recommendations*

3. *Areas now assessed by the Bank, which were highlighted as important for the effective operation of domestic and international financial systems.*

Corporate Governance: OECD's *Principles of Corporate Governance.*

Accounting: International Accounting Standards Board's *International Accounting Standards (IAS).*

Auditing: International Federation of Accountants' *International Standards on Auditing.*

Insolvency and Creditor Rights: World Bank's *Principles and Guidelines for Insolvency and Creditor Rights System* and United Nations Commission on International Trade Law's (UNCITRAL's) *Legislative Guide on Insolvency Law*.[1/]

[1/] There is no agreed-upon standard in this area as yet. In April 2001, the World Bank Executive Directors reviewed the Bank's draft *Principles and Guidelines for Effective Insolvency and Creditor Rights Systems* and asked Bank staff to prepare pilot ROSCs on the basis of the Principles. The Fund's Board has not reviewed these principles and guidelines. In addition, the United Nations Commission on International Trade Law (UNCITRAL) will soon be completing a legislative guide that will include recommendations on the design of a domestic insolvency law. Staffs of the World Bank and UNCITRAL in consultation with Fund staff are working toward a single standard.

19. Many of the diagnostic tools developed for the FSAP are also used in the Fund's work on **offshore financial centers (OFCs)**. This work helps members identify gaps and reduce potential vulnerabilities in their financial systems, and improve the coverage of statistics on the activities of OFCs. Assessments of OFCs evaluate financial regulation and supervision in jurisdictions with significant offshore financial activity, to help safeguard the stability and integrity of their financial systems.[11]

20. The Executive Boards of the IMF and World Bank recently conducted **reviews of the standards and codes initiative and the FSAP**.[12] Executive Directors were satisfied that these initiatives were significantly enriching Fund surveillance, and member countries indicated that they had benefited from participation in these initiatives. However, it was generally agreed that there is scope for streamlining and focusing the assessment exercises, in order to fit within the existing resource envelope while still maintaining a reasonable number of new assessments and accelerating the pace of reassessments, updates, and follow up. In addition, it was agreed that, while maintaining a balanced coverage of countries, priority should continue to be given to industrial countries and emerging market economies of systemic importance.

21. For the standards and codes initiative, Directors agreed that there should henceforth be a more selective approach to coverage, focusing on the countries and standards expected to have the highest payoff in improving domestic and international financial stability and strengthening institutional capacity. In addition, ROSCs will be expected to focus more sharply on the main conclusions and recommendations, with greater attention to ongoing follow-up through a variety of mechanisms.[13] In the case of the FSAP, while Directors see the program as the foundation for strengthened financial sector surveillance, there is also a need to complement it with other tools in order to achieve more continuous financial sector surveillance, especially in systemically important countries. These include focused FSAP updates, an increase in participation of specialized financial sector staff in Article IV missions, and off-site monitoring including through financial soundness indicators. To make resources available for these activities, Directors proposed a moderate reduction in the annual number of FSAP assessments and reassessments—while continuing to expect that the entire membership would participate in the program over time—coupled with greater variation in the scope of FSAP assessments according to country circumstances.[14]

22. As outlined in the staff report for the standards review, several of the standards that are now operationally important in the Fund and World Bank have been or will be reviewed in the near future. This process takes into account lessons learned from the ROSC process so

[11] See Offshore Financial Center Program: A Progress Report (SM/03/97, 3/17/03).

[12] See International Standards--Strengthening Surveillance, Domestic Institutions, and International Markets (SM/03/86, 3/06/03); and Financial Sector Assessment Program--Review, Lessons, and Issues Going Forward (SM/03/77, 2/25/03).

[13] Summing up on International Standards (BUFF/03/43, 3/26/03).

[14] Summing up on Financial Sector Assessment Program (BUFF/03/43, 3/24/03).

far, while also providing opportunities for greater input from emerging markets and developing countries. There will also be a continuing focus on assessing where there may be gaps in coverage. Efforts are underway to establish stronger standards in the areas of accounting, auditing, and corporate governance, in light of deficiencies that had become evident in the wake of recent scandals, and to find ways to ensure adequate harmonization across countries and sectors. The World Bank is playing the lead role in the assessment process in these areas, including for advanced industrial economies.

E. Anti-Money Laundering and Combating the Financing of Terrorism

23. As foreseen at the time of the last IMFC meeting the Fund and the Bank have endorsed **new standards for Anti-Money Laundering and Combating the Financing of Terrorism** (AML/CFT) based on the recommendations of the Financial Action Task Force on Anti-Money Laundering (the FATF 40+8 Recommendations) as part of the cooperative international effort to safeguard the integrity of the international financial system. A 12-month pilot program of AML/CFT assessment was initiated in October 2002, with participation of the Fund, Bank, FATF and FATF-style regional bodies (FSRBs).[15]

24. The AML/CFT pilot program is successfully underway with good cooperation with the FATF. The President of the FATF has written to confirm that the FATF will undertake its mutual evaluations according to the agreed methodology and will undertake additional assessments of FATF members in the context of FSAPs. The FATF would conduct up to 8 assessments. The FSRBs will conduct up to 12 assessments.

25. The Fund and the Bank will lead at least 36 assessments during the pilot and are sharing the assessment burden. Including the FATF and FSRB, between 46 and 56 assessments using the methodology could be undertaken under the pilot program.

26. The FSRBs are generally cooperating in the pilot program, although there is still some uncertainty about the number of assessments they could undertake. Three regional bodies have endorsed the methodology, one is expected to do so in May, and another will take up the issue in August. The Caribbean FATF (CFATF), has not yet endorsed the methodology, but has acknowledged that the methodology will be used in assessments of member countries during the pilot project.

27. Assessments are identifying weaknesses in AML/CFT regimes, and technical assistance (TA) has been significantly stepped up in response. Areas of weaknesses include legal frameworks, especially CFT, and the effectiveness of supervisory arrangements. The Fund and Bank have completed, initiated or agreed to 52 AML/CFT TA programs, comprising direct TA to 40 jurisdictions and 12 regional TA projects.

[15] Twelve Month Pilot Program of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Assessments and Delivery of AML/CFT Technical Assistance—Joint Interim Progress Report of the Work of the IMF and World Bank (to be issued).

III. A Better Framework for Crisis Resolution

28. While crisis prevention is clearly the main focus of the IMF's reform agenda, the IMF is also called upon to play a central role in resolving financial crises, and the framework for this needs to be strengthened. The evolving framework for crisis resolution is designed to reinforce incentives for countries and their creditors to reach voluntary, market-oriented solutions to their financing problems. Indeed, a stronger and clearer framework for crisis resolution should make a major contribution to preventing crises. To this end, the Fund has sought to combine a clearer policy on access to IMF resources, a more comprehensive framework for making judgments on debt sustainability, and greater selectivity in IMF lending, with an examination of possible approaches to strengthening the mechanisms for the restructuring of sovereign debt.

A. Access to IMF Resources

29. The new framework for decisions on exceptional access to IMF resources, recently approved by the Executive Board, aims to ensure that such access remains exceptional, while retaining the Fund's flexibility to provide adequate assistance to members facing capital account crises. Under the new policy, exceptionally large access to IMF resources for members facing capital account crises would require the fulfillment of four substantive criteria:.

- First, exceptional balance of payments pressures on the capital account;
- Second, a sustainable debt burden when analyzed rigorously and systematically;
- Third, a judgment that the member has good prospects of regaining access to private capital markets within the period Fund resources will remain outstanding; and,
- Fourth, agreement on a strong adjustment program and indications that the government has the will and capacity to deliver on the agreed program.

These principles should provide member countries and financial markets with greater clarity and predictability about the decisions the IMF will be taking in dealing with financial crises.[16]

30. The new framework also sets out stronger procedures for decision-making on all exceptional access proposals. These procedures include a higher burden of proof in program documentation, early consultations with the Executive Board on program negotiations in

[16] The Acting Chair's Summing Up Review of Access Policy under the Credit Tranches and The Extended Fund Facility, and Access Policy in Capital Account Crisis—Modifications to the Supplemental Reserve Facility (SRF) and Follow-Up Issues Related to Exceptional Access Policy, (BUFF/03/28, 02/26/03).

exceptional access cases based on a concise staff note outlining the considerations, and *ex post* evaluation of programs with exceptional access within a year of the end of the associated arrangement.[17] The ways in which these criteria and procedures are applied in practice in reaching judgments about access will, however, be decisive, and an assessment of implementation is planned by the end of this year.[18]

B. Dealing with Unsustainable Sovereign Debt

31. As another key element in the evolving framework for crisis management, the international community is engaged in an active debate on how best to deal with the (hopefully rare) cases in which sovereign debts have become truly unsustainable. The challenges to successful restructuring under the present system are several. Sound macroeconomic and structural policies are clearly critical. Transparency and predictability in the restructuring process is also important, as it will permit better-informed due diligence and decision-making, and ease the task of achieving adequate inter-creditor equity. There is also a risk that a failure—the failure of collective action may complicate the process of reaching agreement on a restructuring. In particular, there is a danger that individual creditors will decline to participate in a voluntary restructuring in the hope of recovering payment on the original contractual terms, even though creditors—as a group—would be best served by agreeing to a restructuring. The problem is most acute prior to a default; following default, the options facing creditors—particularly those who have no interest in litigation—are more limited and the problem may therefore be less acute.[19]

32. The IMF is working with the international community on possible approaches to improving the framework for the resolution of sovereign restructuring cases.

- The inclusion of **collective action clauses** in sovereign debt contracts; and
- The establishment of a statutory framework through a sovereign debt restructuring mechanism (**SDRM**).

These approaches could be complemented through the development of a **voluntary code of conduct,** a set of standards for transparency and best practices, which could help guide the conduct of debtors and their creditors across a broad spectrum of circumstances, ranging from relative tranquility to acute stress. The Fund welcomes the private and public sector

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[17] In practice, recourse to exceptional access remains relatively infrequent. However, Fund-supported programs for five countries with exceptional access presently account for about 70 percent of outstanding Fund resources. Information on the Fund's current stand-by, extended, and PRGF arrangements is provided in Table 3. The experience with access to Fund resources in recent years is summarized in Table 4.

[18] In addition, in the context of the review of exceptional access, the time-frame of members' repurchase expectations and obligations under the SRF was lengthened, in order to help align the facility with the diversity of balance of payments need experienced in capital account crises, and to strengthen the presumption that exceptional access to capital account cases be provided under the SRF.

[19] Crisis Resolution in the Context of Sovereign Debt Restructuring—A Summary of Considerations (SM/03/40, 01/29/03).

initiatives in this area, and supports their development. It is clear, in this context, that a Code could only be effective to the extent to which it is able to attract broad support among debtors and their creditors.[20]

33. The Fund is continuing to cooperate actively in the effort to design and promote the use of **collective action clauses** (CACs) in sovereign debt contracts. Such clauses, included in individual sovereign bonds when they are issued, can be designed to permit a pre-specified super majority of holders of that particular bond issue to agree on a restructuring that would be binding on all holders of the issue. At the same time, enforcement provisions would help limit the ability of minority creditors to disrupt a restructuring following default and prior to a restructuring.[21]

34. The Fund welcomes developments in the design of clauses that have been undertaken by public and private initiatives. It also welcomes the successful issuances of global bonds by Mexico, following issues by other members, notably Egypt, Lebanon, and Qatar, which are governed by New York law and include collective action clauses. This is a significant step in overcoming the first-mover problem in an important market.

35. Recognizing that collective action clauses will only be included in debt contracts at this point if they are acceptable to debtors and creditors alike, it would not be advisable for the Fund to endorse model clauses. Nevertheless, based upon recent developments—both in terms of the design of clauses and their incorporation into new international issues—the Executive Board has endorsed a number of observations regarding those features of collective action clauses that would both facilitate a rapid and orderly restructuring process, and have a reasonable probability of being acceptable to markets. The Fund will actively promote the use of CACs by all members issuing foreign law bonds through its bilateral and multilateral surveillance and outreach work.[22]

36. Staff have developed a concrete proposal for a **sovereign debt restructuring mechanism (SDRM) as requested at the Fall 2002 IMFC meeting**. In its present form, the SDRM proposal has three key elements.

- First, a super majority of creditors across aggregated claims could vote to accept new terms under a restructuring agreement, thereby binding all affected creditors.
- Second, it would contain provisions that would prevent creditor enforcement actions from disrupting the negotiating process, or delaying agreement on a restructuring that could be acceptable to a broad majority of creditors.

[20] Proposed Features of a Sovereign Debt Restructuring Mechanism (SM/03/67, 02/12/03).

[21] Collective Action Clauses—Recent Developments and Issues (SM/03/102, 03/25/03).

[22] Acting Chair's Summing Up, Collective Actions Clauses—Recent Developments and Issues, EBM/03/33 (04/07/03).

- Third, an independent dispute resolution forum would be established to verify claims, ensure the integrity of the voting process, and adjudicate disputes that might arise following activation of the SDRM.

37. The initial proposals had envisaged that this mechanism would give the IMF the authority to endorse a stay on creditor litigation, so that the sovereign debtor would have automatic protection from disruptive legal action while restructuring negotiations were underway. But after extensive consultation with debtors and creditors, staff have concluded that, while a stay has its merits, it would constitute a disproportionate response to the magnitude of the risk of litigation, and may not fit comfortably with other features in the mechanism. In the current SDRM proposal, there would be a more limited protection for debtors, with private creditors having a key role in the decisions regarding stays. This proposal would not give new legal powers to the IMF. Decisions would be taken by the debtor and the super majority of its creditors, following negotiations, and the IMF's role would continue to be one of signaling whether it is willing to support and provide assistance for a country's adjustment program.

38. Although there is substantial convergence of views within the Executive Board on the key features of the SDRM, differences remain on a number of issues. More fundamentally, however, not all Directors agree on the desirability of a statutory sovereign debt restructuring mechanism. At this stage, there does not appear to be the requisite high level of support among the Fund's membership to establish the SDRM through an amendment of the Articles of Agreement. Irrespective of the nature of our future work on the SDRM itself, discussions to date have highlighted a range of issues, of relevance to any crisis resolution framework, that warrant continued work. These include facilitating the coordination between official bilateral and private creditors; the potential benefits of, and modalities for, aggregation for decision taking by investors; enhancing transparency and disclosure; and carrying forward efforts to promote the inclusion of collective action clauses in new sovereign debt issues. Related issues include a review of the application of the framework for assessing debt sustainability; the elaboration of best approaches to the resolution of systemic banking problems, particularly in the context of the restructuring of sovereign debt; and a review of factors pertaining to restoration of a member's access to international capital markets.[23]

[23] Statutory Sovereign Debt Restructuring Mechanism—Draft Report of the Managing Director to the IMFC, SM/03/101, Revision 1.

IV. Use of Fund Resources and Capacity Building

A. Streamlining and Focusing Conditionality

39. Just prior to the last meeting of the IMFC, the Executive Board adopted new guidelines to encapsulate ongoing efforts to streamline and focus IMF conditionality.[24] An important objective of the new conditionality guidelines is to enhance country ownership and improve the prospects for sustained implementation of Fund-supported programs, most importantly by concentrating the Fund's policy conditions on areas that are truly crucial for their success. The wholehearted implementation of these guidelines has also been identified in the IEO evaluation report on prolonged use of Fund resources as one of the key steps in avoiding the failure of Fund-supported programs.

40. While the implementation of the conditionality guidelines involves objectives and operational procedures that cannot be readily quantified, summary statistics on the scope of conditionality under recent PRGF arrangements provide some indication of the changes that are underway. As shown in Figure 1, the average number of structural policy conditions under new PRGF arrangements and reviews conducted in 2002 is lower than earlier experience, with a particularly significant decline in the incidence of structural conditionality on matters that are not within the Fund's core areas of competence.[25] The latter development, which is entirely consistent with the guidelines, also underscores the importance of close collaboration and a clear division of labor in each case with the World Bank and other institutions.

B. Prolonged Use of Fund Resources

41. The IEO's first evaluation report, on prolonged use of Fund resources, was presented to the Executive Board in September 2002. Executive Directors and Management welcomed the IEO report as a candid and comprehensive analysis containing many specific operational recommendations, and Management convened a staff task force to prioritize these recommendations and propose a strategy for following up.

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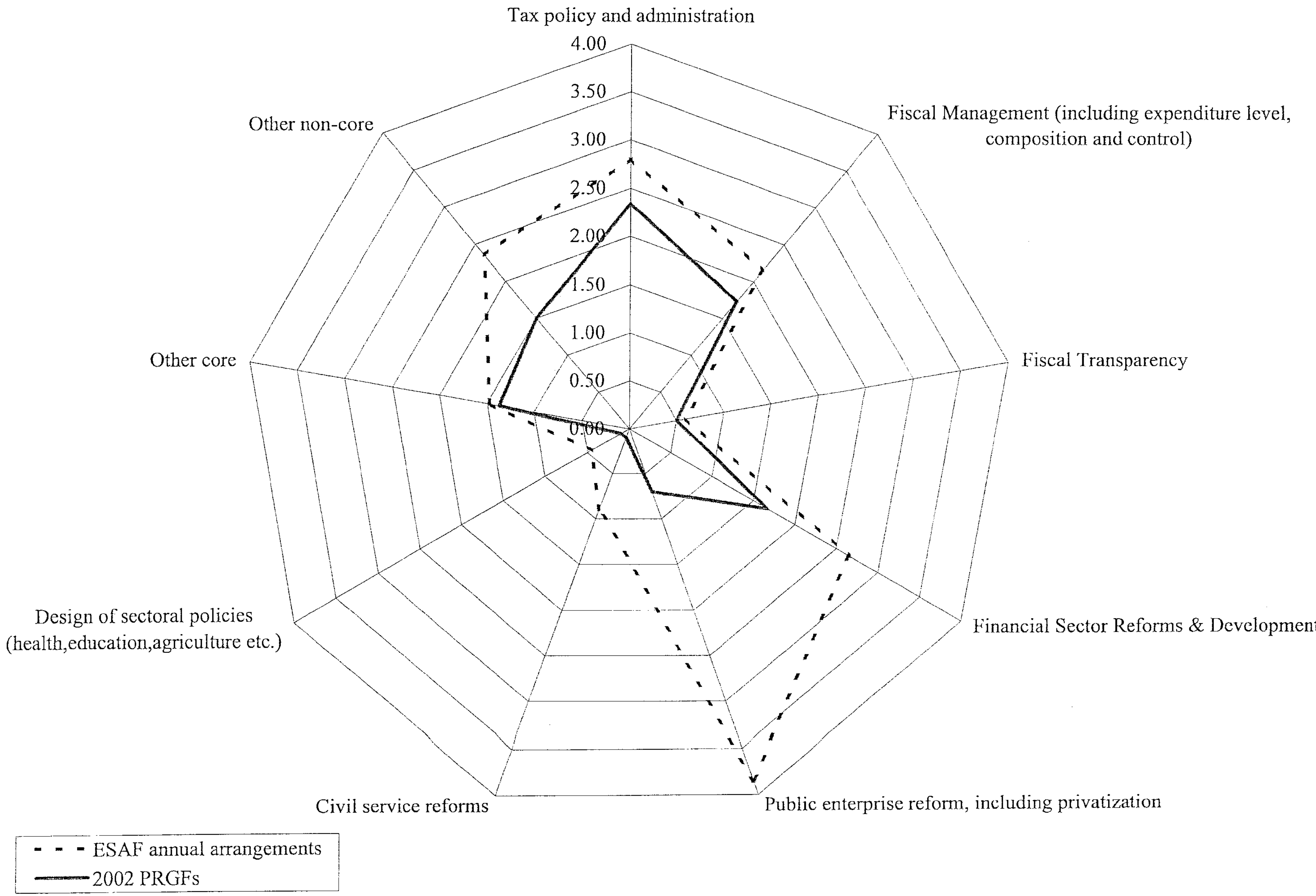
[24] Guidelines on Conditionality (SM/02/276, 08/23/02).

[25] While in general there tends to be less extensive structural conditionality in programs supported by the use of GRA resources, there has been some streamlining and focusing of conditionality in such programs as well.

Figure 1. Composition of Structural Conditionality
(number of measures per request or review)



42. During the Executive Board's consideration of the conclusions of the task force, many Directors judged that, in certain circumstances, long-term Fund financial engagement can be an appropriate response to help member countries address deep-seated problems that, by their nature, require many years to resolve—problems that have been particularly prevalent in re some low-income countries and countries in transition. But prolonged use can also be associated at times with inadequate progress in dealing with a country's key economic problems, and can pose risks to the revolving nature of Fund resources. In addition, in some cases prolonged use of Fund resources and the associated policy conditionality may hinder the development of domestic institutions.

43. Our follow-up to the IEO report focuses more generally on improving the prospects for successful implementation of all Fund-supported programs, through the adoption of policies and procedures that promote better program design and strong country ownership, along with accountability for outcomes. It also includes measures aimed specifically at cases of prolonged use of Fund resources. The follow up is aimed as well at ensuring that the Board's decisions on whether to provide Fund financial support for a member's adjustment program are taken transparently and with a clear understanding of the risks and constraints.

44. This strategy entails the rigorous implementation of IEO recommendations to improve surveillance, conditionality, and program design (including those already internalized in the Fund's work program); additional measures to strengthen *ex post* assessment and forward planning for the Fund's future involvement in countries identified as prolonged users of Fund resources; and substantive consideration of issues raised by the IEO in the context of future discussions on surveillance, program design, and the role of the Fund in low-income countries. Management and the Executive Board will systematically monitor progress in the timely implementation of the various elements of this strategy, in the context of the Fund's reviews of conditionality.

C. Technical Assistance

45. Technical assistance is critical to enhancing the capacity of Fund members to design and implement sound macroeconomic policies, including the implementation of recommendations developed through IMF surveillance, ROSCs, the FSAP, and analysis of public expenditure tracking systems in HIPCs. To improve the effectiveness of technical assistance provision, the Fund is:

- Ensuring that the needs of recipients and the considerable capacity constraints faced by many members are taken into account in the allocation and design of technical assistance and the means through which it is delivered;
- Placing emphasis on the development of human and institutional capacities, with the training offered through the IMF Institute and regional training centers playing an important role; and

- Making continuous efforts to improve the prioritization and effectiveness of its technical assistance, including through a new yearly evaluation program. Such assistance is to be directed increasingly at members with a good implementation record. Technical assistance in areas covered by FSAP and ROSC recommendations, including the AML/CFT pilot program, is increasingly focused on implementing recommendations that have been identified as most important under those programs.

46. The Fund will continue to mobilize external financing for technical assistance activities. Bilateral contributions play a substantial role in financing Fund-provided technical assistance, and increase the leverage of the Fund's technical assistance resources.[26] In this context, the Fund has increased cooperation with other multilateral and bilateral technical assistance providers, to increase synergies and avoid overlaps.

47. The Fund uses a variety of technical assistance delivery mechanisms to adapt its assistance to local contexts and needs. The main vehicles have been staff missions and assignments of resident advisors for varying periods of time. In addition, the Fund is providing an increasing, though still small, share of its technical assistance through regional technical assistance centers.

- The Pacific Financial Technical Assistance Center (PFTAC) has existed since 1993 and the Caribbean Regional Technical Assistance Center was opened in November 2001.

- In October 2002, as part of the Fund's support for the New Partnership for Africa's Development (NEPAD), a regional technical assistance center (AFRITAC East) was opened in Dar es Salaam, Tanzania. Another center (AFRITAC West) is scheduled to open at end-May in Bamako, Mali. Based on an independent evaluation of these two centers, the Fund will consider establishing three additional centers to cover the rest of sub-Saharan Africa.

48. Training is an important component of the Fund's technical assistance. The IMF Institute delivers courses and seminars on current macroeconomic issues and topics related to Fund operations, particularly financial sector issues. The Institute has significantly expanded its network of regional training institutes and programs in recent years.

[26] Since September 2002, Sweden set up a new technical assistance sub-account at the Fund.

V. SUPPORT FOR LOW-INCOME COUNTRIES

A. The Fund's Role

49. Over the past year, the international community has adopted a "two-pillar" strategy for fighting world poverty and achieving the Millennium Development Goals (MDGs), which was endorsed in the Monterrey Consensus and reaffirmed at the Johannesburg Summit on Sustainable Development. This strategy is based on the sense of self-responsibility and determination in low-income countries to pursue sound policies and good governance, and it stresses that this must be matched by better and stronger international support—through increased and more effective aid, technical assistance, and a supportive international environment, including better market access for developing countries' exports and the phasing-out of trade distorting subsidies. The country-driven and participatory Poverty Reduction Strategy Paper (PRSP) approach has become widely accepted as the operational framework for implementing this strategy at the country level.

50. While the World Bank has the lead institutional role in poverty reduction, the Fund is participating actively in the fight against world poverty. The Fund's involvement in this crucial effort is guided by considerations of effectiveness and practicality. First, the instruments, policies, and procedures that the Fund brings to this effort must be consistent with its mandate but also attuned to the special needs of low-income countries. Second, to be effective, the Fund must focus on the core areas of competence where it has both a clear comparative advantage and an institutional mandate—macroeconomic policies and their supporting institutions, which are critical to establishing and maintaining the conditions for sustainable growth, the promotion of sound financial sectors, and the stability of the international financial system. In the process, the Fund must also define clearly its expected contribution and delineate its role relative to those of other development partners, particularly the World Bank.

51. As part of the second pillar, the Fund is supporting its poorest country members in three main areas.

- Helping low-income countries to develop and implement economic reform programs aimed at accelerating growth and thereby helping to reduce poverty. The Fund's contribution to these programs is targeted to its areas of core expertise, set within the Poverty Reduction Strategy Paper (PRSP) approach, and supported in many cases through concessional loans from the Fund's Poverty Reduction and Growth Facility (PRGF);

- Helping the Heavily Indebted Poor Countries (HIPC) address the burden of unsustainable debt through the enhanced HIPC Initiative; and

- Supporting the call for increased and better-targeted support by the international community, and the system for monitoring actions toward the achievement of the MDGs.

52. The Executive Board has discussed a number of aspects of the Fund's support for low-income countries in recent months, and will be deepening this work program in the period following the IMFC. This section outlines the main themes and priorities that have emerged.

B. Aligning PRGF-Supported Programs and the PRSP Approach

53. The PRSP approach has become widely accepted by low-income countries and the donor community as an effective way to mobilize broad input to and ownership of national poverty reduction strategies. However, the PRSP is still a relatively new instrument, whose content and procedures are evolving in response to lessons learned and the needs and capacities of individual countries. Following up recommendations of last year's reviews of the PRSP and Fund's Poverty Reduction and Growth Facility (PRGF), increased attention is being paid in country programs to creating an enabling environment for investment and growth. In addition, efforts are underway to bring poverty and social impact analysis more systematically to bear in the formulation of poverty reduction strategies and PRGF-supported programs, and to strengthen public expenditure management.[27]

54. The reviews of the PRSP and PRGF also focused on the discrepancies between the specific objectives and policies embodied in PRGF-supported programs and PRSPs. The Executive Board recently discussed important new steps to help align the PRSP approach and PRGF-supported programs, including: (i) an effort to incorporate more realistic projections and assumptions; (ii) rationalization of PRGF documentation to demonstrate clearly how the PRGF supports the objectives of the PRSP, indicate how policy choices have been made, and reduce overall reporting requirements; and (iii) greater coherence between PRSPs and the budget process in low-income countries. The harmonization of donor procedures with the budget and PRSP processes will have a critical role to play in the success of this effort. In the coming months staff will be deepening its work on related analytical issues, including the linkages between macroeconomic and structural policies and growth in low-income countries. A joint Fund-Bank research conference on this nexus of issues is planned for the first half of 2004.[28]

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[27] Bank-Fund Collaboration on Public Expenditure Issues (SM/03/73).

[28] Aligning the Poverty Reduction and Growth Facility (PRGF) and the Poverty Reduction Strategy Paper (PRSP) Approach—Issues and Options (SM/03/94, 03/13/03).

C. Debt Sustainability in HIPCs

55. Through the HIPC Initiative, the Bank and Fund are assisting heavily-indebted low-income countries to qualify for debt relief, within a policy framework that can contribute to the achievement of long-term debt sustainability. In addition, the Fund and Bank are helping them to grapple issues of incomplete creditor participation, HIPC-to-HIPC relief, and creditor litigation.[29]

56. To date, the HIPC Initiative has resulted in commitments of $41 billion ($25 billion in NPV terms) in debt reduction for 26 countries—representing about two-thirds of these countries' outstanding stock of external debt. The debt relief provided to date has helped these countries increase annual social expenditures from around 6 percent of GDP on average in 1999 to a projected 9 percent in 2002, more than three times the amount of debt service.

- During the period since the last IMFC meeting, two additional country (Mali and Benin) have reached their completion points under the HIPC Initiative, bringing to eight the total number of countries that have reached their completion points and received a reduction in the stock of debt (see Table 5). Not all the envisaged debt relief has been delivered to these countries.

- Another 18 countries have passed their decision points and begun to receive interim debt relief on a flow basis. Some of these countries have experienced delays in reaching their completion points, owing to the time needed to prepare high-quality PRSPs, program interruptions, and slower-than-expected implementation of other completion point triggers.

- As expected, it is proving difficult to make progress in bringing the 12 countries remaining to be considered under the Initiative to their decisions points, particularly because most of them have been affected by armed conflicts. Recently the Democratic Republic of the Congo has made some progress, but the expected movement to a decision point in the case of Côte d'Ivoire has been derailed by the recent outbreak of renewed conflict.

57. Debt indicators for a number of countries have been adversely affected by the weakened global economic environment. The HIPC Initiative has flexibility to provide additional debt relief at the completion point, if a country has suffered a fundamental change in economic circumstances due to exceptional exogenous shocks.[30] But, more generally, the economies of many HIPCs will continue to be fragile. In addition to HIPC debt relief, the

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[29] Heavily Indebted Poor Countries (HIPC) Initiative—Statistical Update (SM/03/91, 03/11/03), and Enhanced HIPC Initiative—Creditor Litigation (SM/03/82, 02/28/03).

[30] As requested by the Boards of the Bank and the Fund, staff will undertake further analysis of the costs and benefits of different calculations of topping up HIPC relief at completion points.

achievement and maintenance of a sustainable debt situation will require sound economic policies, good governance, and prudent debt management, as well as sufficiently concessional terms in new financing.

58. Looking beyond the HIPC Initiative, the staff is developing an analytical framework for assessing debt sustainability in low-income countries, to complement the new procedures recently adopted for other Fund members. In the process, it will be working with the World Bank and interested partner agencies, to develop a consensus on the ways in which debt sustainability concerns should be reflected in the design of these countries' financing strategies and the programs supported by the Fund—including decisions on borrowing limits, and the appropriateness of loan vs. grant financing.

D. Modalities of Fund Engagement with Low-Income Countries

59. After the IMFC, the Board will have the opportunity to consider two related papers dealing with the modalities of Fund engagement with low-income countries. These papers will address: (i) the role of the Fund in low-income countries over the medium term; and (ii) helping members (especially low-income countries) to deal with shocks. The paper on shocks will review how the Fund's instruments can best be used to help members deal with the negative effects of exogenous shocks, with a particular focus on low-income countries.

60. The paper on the role of the Fund will consider how Fund assistance to low-income countries can best balance the Fund's commitment to supporting the PRSP process and the achievement of the MDGs with need to preserve Fund's focus and effectiveness, as well as the concerns underscored by the IEO about the impact of prolonged Fund financial engagement on the Fund and its members. Major issues will include the appropriate time-frame for Fund engagement; the consequences of the linkage of many forms of donor assistance to the existence of a Fund arrangement; and ways in which the Fund can signal its views to donors on countries' economic policies, in cases where there may be little need for the use of Fund resources.

E. Trade and Market Access

61. An essential pillar in the fight against world poverty will be a greater effort, to ensure that developing countries secure improved market access for their exports and that trade-distorting subsidies are phased out. While action by industrial countries will be particularly important in this regard, developing countries will also benefit from a reduction of their own trade barriers. The Fund's work on trade issues includes a report on progress with the Doha agenda ahead of the Spring 2003 meetings; a review of the Fund's trade policy advice during the coming months; a greater focus in Fund surveillance on market access issues facing developing countries; and fuller inclusion of trade policy considerations in PRSPs. This latter effort will be enriched by joint PRSP learning events with the World Bank, and through the Integrated Framework for Trade-Related Technical Assistance to LDCs. The Fund is also cooperating with the WTO on ways to enhance the coherence of their work, and is ready to

contribute to developing proposals for an agricultural trade agenda for Africa.[31] The Fund staff has also provided the WTO with its analytical perspective in the Fund's areas of expertise on certain proposals for special and differential treatment. Among the conclusions of these notes are: that trade restrictions remain a distinctly second-best policy for dealing with balance of payments pressures, including those arising from the capital account; that preference erosion is likely to cause significant losses to relatively few least-developed countries and that compensating financing is best provided in the context of an adjustment program; that trade liberalization, when complemented by a strengthened domestic tax system, need not worsen revenue performance in developing countries; and that the case is not compelling for developing country exporters to receive concessional finance because of distortions in developing country capital markets.[32]

F. Monitoring Progress Toward the Millennium Development Goals

62. At its forthcoming meeting, the Development Committee will consider a framework for the monitoring policies and actions that are necessary for achieving the MDGs and related outcomes, in which both the Bank and Fund are participating. The proposed approach would assess the adequacy of policies, institutions, and governance in developing countries; the macroeconomic, aid, and trade polices of developed countries, which are essential for fostering the global partnership for development envisaged under Goal Eight of the MDGs; the quality and effectiveness of development assistance; and the effectiveness of the international financial institutions in promoting a strong global economic environment and supporting country efforts to meet their development goals. This approach is designed to complement and support the work of the UN and other agencies in monitoring progress toward the achievement of the MDGs.[33]

[31] Proposed for such an agenda were made by President Chirac (also president of the G-8) at the 22nd conference of Heads of State of Africa and Finance on February 21, 2003 and covered: harmonization of G-8 preferential trading regimes for sub-Saharan Africa; ensuring that OECD agricultural export support policies do not disrupt local production; and reducing the vulnerability of the poorest producers to commodity price volatility. The Fund has been requested to participate in a G-8 working group on the last topic.

[32] WTO Notes (EB/CWTO/03/2, 01/27/03).

[33] Achieving the MDGs and Related Outcomes: A Framework for Monitoring Policies and Actions (SB/CW/DC/03/3, 02/27/03).

VI. Enhancing Transparency, Accountability, and Openness

63. Many of the reforms introduced at the IMF in recent years reflect a recognition that the IMF's effectiveness depends in large measure on its ability to be *transparent* and fair in developing and providing policy advice to its members; *accountable* for the advice it has given and lending decisions it has taken; *responsive* to lessons drawn from past experiences, particularly in program design; *open* to input and dialogue from outside; and *cooperative* with other members of the international community in pursing our common objective of promoting broadly shared, sustainable growth. These remain key objectives for the IMF on an ongoing basis. This section updates on some major developments since the September 2002 report to the IMFC on the IMF in a Process of Change.

A. Update on Transparency of the IMF and its Members

64. The Fund now publishes most papers on policy issues and an increasing amount of information about its operations and finances. Its policies regarding transparency by member countries envisage the voluntary publication of staff reports; a presumption of publication in the case of Letters of Intent and other documents describing a government's policy intentions; and mandatory publication of PRSPs (see Box 2). In practice, members publish virtually all letters of intent, PRSPs, and other country policy intention documents, and a majority also publish staff reports for Article IV consultations and use of Fund resources, as well as ROSCs and Financial Sector Stability Assessments. However, as indicated in Table 1, the rate of publication across countries and regions remains uneven, and efforts to increase the rate of publication are continuing.

B. Review of the IMF's Communications Strategy

65. The recent Executive Board review of the IMF's external communications strategy concluded that improved public understanding of the Fund's work, and enhanced credibility of its policies, are key objectives—more so than increasing the Fund's popularity. To be effective, the Fund's communications must embrace transparency but also go beyond it, not only to clarify policy messages, but also to establish two-way communication with legislatures, civil society organizations, and other interlocutors. A continuing effort to improve understanding of the Fund, and to raise support for its work in member countries, must be combined with a willingness to take into account the views of its critics as well as its supporters. Clearer and more straightforward written and oral communications should contribute to this effort. The Board recognized that increased publication of material in languages other than English (the Fund's working language) can also help to increase understanding and support for Fund policies, and proposed that low-cost options be identified for this purpose, taking into account existing budget ceilings. The themes of the Fund's communications will continue to be derived from guidance provided by the IMFC, and from Executive Board decisions and work plans. It is the responsibility of Fund Management to take the lead in highlighting the chosen messages, but Executive Directors might also do more in this regard.

Box 2. Key Elements of the Fund's Publication Policy

The IMF's Executive Board has adopted a series of measures that aim to improve the transparency of members' policies and data, and to enhance the Fund's own external communications. In taking these steps to enhance the IMF's transparency, the Executive Board has had to consider how to balance the Fund's responsibility to oversee the international monetary system with its role as a confidential advisor to its members. As part of its regular reassessment of this balance, the Board completed another review of the IMF's transparency policy in September 2002. The key elements of the policy are as follows:

- Voluntary publication of Article IV and UFR staff reports.
- The presumption that Letters of Intent/Memoranda of Economic and Financial Policies (LOIs/MEFPs) and other documents stating a government's policy intentions would be published; however, a member may notify the Board of its decision not to consent to Fund publication of a document.
- Publication of Poverty Reduction Strategy Papers (PRSPs), interim-PRSPs, and PRSP progress reports is required for management to recommend endorsement by the Executive Board.
- Voluntary publication of Public Information Notices (PINS) following Article IV consultations and Board discussions on regional surveillance papers, concluding mission statements, background documentation for Article IV consultation discussions, and documentation for staff-monitored programs.
- A presumption of publication of staff reports on policy issues, together with PINS (except on issues dealing with administrative matters of the Fund, for which publication can be proposed on a case-by-case basis).
- Deletions to published documents should be limited to highly market-sensitive information, mainly exchange rate and interest rate matters. Corrections should be limited to factual changes and characterizations of the authorities' views.
- The member concerned has the right of reply and may publish a statement with the staff report commenting on the staff or Executive Board assessment or both.
- Public access is given to the Fund's archives to Executive Board documents that are over 5 years old, to minutes of Executive Board meetings that are over 10 years old, and to other documentary materials that are over 20 years old, subject to certain restrictions.

66. The increased visibility of the Fund in global policy issues, and the increasing importance of participatory processes in national policy formulation, also imply a greater need for **outreach on country and policy issues**. Guidance and training for Fund mission chiefs and resident representatives is designed to help underpin outreach efforts in the field. In addition, systematic outreach to the broader international community for feedback and input to the IMF's policy development activities has become an increasingly important and widespread practice. In the period since the last meeting of the IMFC, external outreach has been particularly important for shaping IMF policy proposals on the SDRM; the IMF's work with low-income countries and the HIPC Initiative; the refinement of standards and codes and the overall review of the standards and codes initiative; and the review of the CCL.

C. The Independent Evaluation Office

67. The IEO was established to conduct objective and independent evaluations on issues of relevance to the mandate of the Fund, in a way that complements the institution's internal review and evaluation functions. Through this work the IEO is expected to enhance the learning culture within the Fund, strengthen the Fund's external credibility, promote greater understanding of the work of the Fund throughout the membership, and support the Executive Board's institutional governance and oversight responsibilities.

68. As discussed above, the Executive Board recently concluded its initial discussions of the IEO's first evaluation report, on the prolonged use of Fund resources. The high quality, candor, and specificity of that report bode well for the contribution that will be made by the IEO's future activities. During the coming year, the IEO will undertake three evaluation projects, on (i) the IMF's experience with PRSPs and the PRGF; (ii) the IMF's role in Argentina; and (iii) IMF technical assistance. Following established practice, the IEO will consult extensively with both internal and external stakeholders in deriving the detailed terms of reference for each study and in reviewing the results at various stages.

VII. Safeguarding the Cooperative Nature of the IMF

69. The IMF's cooperative nature is reflected in its resource base—derived mainly from quota subscriptions by its 184 member countries—and the principles of mutual respect, trust, and consensus-building that inform all of its operations. In concluding the Twelfth Review of Quotas without an increase in quotas, the Fund underscored the fundamental principle that it must have sufficient resources to fulfill its central role in the international monetary system. In this context, the Fund has adopted a new and more transparent measure to assess, monitor, and communicate the adequacy of its liquidity position. The Fund's cooperative nature also requires that quota shares be appropriately representative, and that members have an adequate voice and representation in the institution.

A. The IMF's Liquidity Position

70. The Fund adopted a new measure of its liquidity, the one-year Forward Commitment Capacity (FCC), in October 2002. The new measure is designed to give a more transparent indication of the amount the Fund has readily available for new lending from its regular, quota-based financial resources (see Table 6). The FCC takes into account current Fund lending commitments, including those that are considered precautionary. It also incorporates a prudential balance, which reflects the Executive Board's judgment on the amount which would normally not be available for lending, owing to the need to safeguard the liquidity of creditors' claims and protect against a potential erosion of the Fund's resource base. The FCC, which is published weekly, replaces the traditional liquidity ratio as the primary measure of the Fund's liquidity; both the FCC and liquidity ratio will continue to be published for the time being.[34]

71. **The Fund's current liquidity position is adequate and the institution is well positioned to meet projected needs of its members**, even under relatively unfavorable economic conditions. The FCC, which declined through September 2002 to a low of SDR 47 billion following record new commitments and associated large purchases, has since risen to some SDR 60 billion in late March 2003. At the same time, with continuing large purchases, Fund credit outstanding has reached SDR 66 billion, an all-time high. A further SDR 34 billion is available to the Fund under the General Arrangements to Borrow (GAB) and the New Arrangements to Borrow (NAB). Both the GAB and NAB were renewed in late 2002 for another five-year period at unchanged overall amounts, with the Central Bank of Chile becoming a participant in the NAB.

B. IMF Quotas

72. **In January 2003, the Board of Governors adopted a resolution concluding the Twelfth General Review of Quotas without an increase in quotas**, leaving them unchanged at SDR 212.7 billion. During the period of the Thirteenth General Review, which began with the completion of the Twelfth Review, the Executive Board will continue to monitor closely and assess the adequacy of Fund resources, examine ways to achieve a distribution of quotas that reflects developments in the world economy, and consider measures to strengthen the governance of the IMF. The Executive Board will provide a status report to the IMFC on these issues by the 2003 Annual Meetings.[35]

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[34] The Fund's Liquidity Position—Review and Outlook (EBS/02/177, 10/15/02), The Fund's Policy on Precautionary Financial Balances, EBS/02/185, 11/1/02, and Concluding Remarks of the Acting Chair (BUFF/02/182, 11/22/02).

[35] Completion of the 12th Review of Quotas—Voting Results (SM/02/355, Supplement 2, Correction 1, 02/03/03).

C. Strengthening the Voice and Representation of Developing Countries

73. In September 2002, the Development Committee requested that the Bank and Fund prepare a background document to facilitate consideration, at its Spring 2003 meeting, of ways to broaden and strengthen the voice and participation of developing countries and transition economies in the World Bank and IMF. The strength and effectiveness of participation in decision-making at the Bretton Woods Institutions (BWI) has several dimensions. The most straightforward of these is voting strength. Another important dimension is the degree to which countries are fully equipped to use the available opportunities to present their views at the BWIs. This latter dimension of "voice" is quite important for large multi-country constituencies—especially those with a significant number of countries with Fund-supported programs or HIPCs, given the volume and complexity of associated issues requiring their input.

74. During their initial discussion of the joint background paper on this topic, Executive Directors underscored the importance of enhancing the voice and participation of developing and transition countries. They highlighted the initiatives that have already been taken to enhance the voice of developing countries and the listening culture in the Fund—including the ongoing development of the PRSP process, strengthened support for capacity building, and emphasis on country ownership of reforms—and looked forward to building on these ongoing efforts. Because more rapid progress can be made on a number of possible administrative measures for enhancing voice, the Board has already begun to consider steps that could be taken in the short run to address staffing and technological constraints of the two Sub-Saharan African constituencies, whose needs are most pressing. Progress on these issues will allow the Development Committee to focus on aspects of voice and participation requiring further careful consideration and consensus-building efforts among the membership in the period ahead.[36] The IMFC will have an opportunity to return to these issues at its Fall 2003 meeting, based on a status report from the Executive Board on its discussions in connection with the Thirteenth General Review of quotas.

VIII. Conclusion

75. The IMF and World Bank were created in the closing stages of World War II to help restore and sustain the benefits of global integration, by promoting openness, trust, and international cooperation. Despite all the criticisms that can justifiably be made, the work of these institutions has contributed to a half-century of unprecedented global prosperity, and our membership is now essentially universal. Indeed, in an increasingly complex world, our member countries realize that international economic cooperation is immensely beneficial despite—or perhaps even because of—the differences among them.

[36] Enhancing the Voice and Participation of Developing and Transition Countries in Decision-Making at the World Bank and IMF, (DC/03/2, 3/28/03).

Table 1. Participation in Transparency, FSAP, and Standards and Codes Initiatives 1/ 2/
(As of January 31, 2003)

	(1) Africa	(2) Developing Asia	(3) Central and Eastern Europe	(4) CIS and Mongolia	(5) Western Hemisphere	(6) Middle East, Malta, and Turkey	(7) Advanced Economies	(8) Total IMF Members
Number of Members	51	29	15	13	32	16	28	184
Initiatives:								
SDDS Subscriber 3/								
Number of members	2	5	9	1	9	1	23	50
GDDS Participant 4/								
Number of members	22	6	3	5	11	6	0	53
PIN Published								
Number of members	48	24	15	11	31	11	28	168
Percentage	94%	83%	100%	85%	97%	69%	100%	91%
Article IV Staff Report Published								
Number of members	38	11	15	11	22	4	26	127
Percentage	75%	38%	100%	85%	69%	25%	93%	69%
FSAPs Completed								
Number of members	9	3	10	3	7	5	8	45
Percentage	18%	10%	67%	23%	22%	31%	29%	24%
ROSC Modules Completed								
Number of members 5/	23	7	12	8	14	8	15	89
Percentage	45%	24%	80%	62%	44%	50%	54%	48%
ROSC Modules Completed								
Number of modules 6/	66	24	93	27	43	26	59	344
Percentage of total modules	19%	7%	27%	8%	13%	8%	17%	
ROSC Modules Published								
Number of modules 6/	43	10	90	12	18	9	58	246
Percentage of completed modules	65%	42%	97%	44%	42%	35%	98%	72%

Source: Fund staff estimates.

1/ This table does not include territories, special administrative regions (SARs), and monetary unions except for ROSCs, which include six completed and published modules for Hong Kong SAR of China and the Euro Area. AML/CFT ROSCs are not included in this table.

2/ The regional groupings are based on the composition of World Economic Outlook (WEO) groups.

3/ The SDDS was established in 1996 to guide countries that have, or might seek, access to international capital markets in the dissemination of economic and financial data to the public. Table includes subscribers in full observance only.

4/ The GDDS was established in 1997 to encourage members to improve data quality, provide a framework for evaluating needs for data improvement and setting priorities in this respect, and guide members in the dissemination to the public of comprehensive, timely, accessible, and reliable economic, financial, and socio-demographic statistics.

5/ The number of members for which at least one ROSC module has been completed. ROSC modules not derived from an FSAP are considered completed once they have been circulated to Directors, and in the case of Bank-led modules, sent in their final form to the authorities. ROSC modules derived from an FSAP are considered completed only after the FSSA has been discussed by the Executive Board.

6/ The number of modules reflects if a member has had more than one full assessment for the same standard. On an exceptional basis, one FSSA-derived preliminary assessment is included.

Table 2. FSAP Participation
(as of mid-March 2003, G-20 countries in bold)

Countries Completed		Countries Under Way	Future Participation Confirmed
Armenia	Nigeria	Algeria	Antigua and Barbuda
Barbados	Peru	Argentina 1/	Austria
Bulgaria	Philippines	Bangladesh	Azerbaijan
Cameroon	Poland	Bolivia	Belgium
Canada	Senegal	Brazil 2/	Chile
Colombia	Slovak Republic	Cote d'Ivoire	Dominica
Costa Rica	Slovenia	Germany	Ecuador
Croatia	South Africa	Honduras	Fiji
Czech Republic	Sri Lanka	Hong Kong	France
Dominican Republic	Sweden	Japan	Grenada
Egypt	Switzerland	Korea	Jordan
El Salvador	Tunisia	Kyrgyz Republic	Kenya
Estonia	Uganda	Malta	Kuwait
Finland	United Arab Emirates	Mauritius	Macedonia, FYR
Gabon	Yemen	Morocco	Moldova
Georgia		Mozambique	Netherlands
Ghana		Oman	New Zealand
Guatemala		Romania	Norway
Hungary		Russia	Pakistan
Iceland		Singapore	Paraguay
India		Tanzania	Portugal
Iran		Ukraine	Saudi Arabia
Ireland		United Kingdom	St. Kitts and Nevis
Israel		Uruguay 1/	St. Lucia
Kazakhstan		Zambia	St. Vincent and the Grenadines
Latvia			Sudan
Lebanon			Venezuela
Lithuania			
Luxembourg			
Mexico			

1/ Postponed.
2/ Brazil's FSAP was completed in early April 2003.

Table 3. Current IMF Lending Arrangements
(In thousands of SDRs, as of February 28, 2003)

I. General Resources Account (GRA): Stand-By Arrangements

Member	Date of Arrangement	Expiration	Total Amount Agreed	Undrawn Balance	IMF Credit Outstanding Under GRA
Argentina	January 24, 2003	August 31, 2003	2,174,500	1,427,500	10,493,770
Bosnia and Herzegovina	August 2, 2002	November 1, 2003	67,600	36,000	100,583
Brazil	September 6, 2002	December 31, 2003	22,821,120	18,256,896	15,319,640
of which Supplemental Reserve Facility	September 6, 2002	September 05, 2003	7,609,691	5,327,579	2,282,112
Bulgaria	February 27, 2002	February 26, 2004	240,000	130,000	782,214
Colombia	January 15, 2003	January 14, 2005	1,548,000	1,548,000	0
Croatia, Republic of	February 3, 2003	April 2, 2004	105,880	105,880	0
Dominica	August 28, 2002	August 27, 2003	3,280	1,230	2,050
Guatemala	April 1, 2002	March 31, 2003	84,000	84,000	0
Jordan	July 3, 2002	July 2, 2004	85,280	74,620	338,407
Lithuania, Republic of	August 30, 2001	March 29, 2003	86,520	86,520	48,732
Peru	February 1, 2002	February 29, 2004	255,000	255,000	160,558
Romania	October 31, 2001	April 29, 2003	300,000	165,334	308,298
Turkey	February 4, 2002	December 31, 2004	12,821,200	2,892,000	16,200,473
Uruguay	April 1, 2002	March 31, 2004	2,128,300	1,016,600	1,318,800
of which Supplemental Reserve Facility	June 25, 2002	August 08, 2002	128,700	0	128,700
		Total	**42,720,680**	**26,079,580**	**45,073,521**

II. General Resources Account (GRA): Extended Arrangements

Member	Date of Arrangement	Expiration	Total Amount Agreed	Undrawn Balance	IMF Credit Outstanding Under GRA
Indonesia	February 4, 2000	December 31, 2003	3,638,000	1,376,240	6,273,494
Serbia and Montenegro	May 14, 2002	May 13, 2005	650,000	550,000	416,925
		Total	**4,288,000**	**1,926,240**	**6,690,419**

III. Poverty Reduction and Growth Facility (PRGF)

Member	Date of Arrangement	Expiration	Total Amount Agreed	Undrawn Balance	IMF Credit Outstanding Under SAF/PRGF
Albania	June 21, 2002	June 20, 2005	28,000	24,000	58,782
Armenia, Republic of	May 23, 2001	May 22, 2004	69,000	39,000	127,538
Azerbaijan	July 6, 2001	July 5, 2004	80,450	64,350	91,856
Benin	July 17, 2000	March 31, 2004	27,000	8,080	50,960
Cambodia	October 22, 1999	March 5, 2003	58,500	8,358	69,742
Cameroon	December 21, 2000	December 20, 2003	111,420	47,740	223,098
Cape Verde	April 10, 2002	April 9, 2005	8,640	6,180	2,460
Chad	January 7, 2000	December 6, 2003	47,600	10,400	78,500
Congo, Democratic Republic of	June 12, 2002	June 11, 2005	580,000	160,000	420,000
Cote d'Ivoire	March 29, 2002	March 28, 2005	292,680	234,140	361,054
Ethiopia	March 22, 2001	March 21, 2004	100,277	31,287	103,297
Gambia, The	July 18, 2002	July 17, 2005	20,220	17,330	23,500
Georgia	January 12, 2001	January 11, 2004	108,000	58,500	204,900

Table 3. Current IMF Lending Arrangements (concluded)
(In thousands of SDRs, as of February 28, 2003)

III. Poverty Reduction and Growth Facility (PRGF) (concluded)

Member	Date of Arrangement	Expiration	Total Amount Agreed	Undrawn Balance	IMF Credit Outstanding Under SAF/PRGF
Guinea	May 2, 2001	May 1, 2004	64,260	38,556	99,869
Guinea-Bissau	December 15, 2000	December 14, 2003	14,200	9,120	13,559
Guyana	September 20, 2002	September 19, 2005	54,550	49,000	69,834
Kenya	August 4, 2000	August 3, 2003	190,000	156,400	64,617
Malawi	December 21, 2000	December 20, 2003	45,110	38,670	52,203
Mali	August 6, 1999	August 5, 2003	51,315	12,900	121,752
Moldova, Republic of	December 21, 2000	December 20, 2003	110,880	83,160	27,720
Mongolia	September 28, 2001	September 27, 2004	28,490	24,420	30,226
Mozambique	June 28, 1999	June 27, 2003	87,200	16,800	144,375
Nicaragua	December 13, 2002	December 12, 2005	97,500	90,535	128,291
Niger	December 22, 2000	December 21, 2003	59,200	25,360	76,344
Pakistan	December 6, 2001	December 5, 2004	1,033,700	689,120	668,720
Rwanda	August 12, 2002	August 11, 2005	4,000	3,426	62,454
Sao Tome & Principe	April 28, 2000	April 27, 2003	6,657	4,755	1,902
Sierra Leone	September 26, 2001	September 25, 2004	130,840	56,003	124,544
Tajikistan, Republic of	December 11, 2002	December 10, 2005	65,000	57,000	67,290
Tanzania	April 4, 2000	June 30, 2003	135,000	15,000	293,878
Uganda	September 13, 2002	September 12, 2005	13,500	12,000	186,919
Vietnam	April 13, 2001	April 12, 2004	290,000	165,800	269,160
Zambia	March 25, 1999	March 28, 2003	278,900	41,380	746,579
		Total	**4,501,119**	**2,422,729**	**5,351,414**

Table 4. Access Under Fund Arrangements By Year Of Approval, 1991–2003 1/
(In percent of quota, unless otherwise indicated)

	1991	1992 2/	1993	1994 2/	1995	1996	1997	1998 2/	1999	2000	2001	2002	2003
Average annual access													
SBA													
Non-exceptional 4/	53	56	31	37	52	39	36	44	43	46	34	39	62
Exceptional, and SRF	...	...	60	...	500	...	329	200	100	...	320	510	170
Precautionary	34	34	21	35	27	27	27	42	21	40	30	30	...
EFF													
Non-exceptional	82	41	...	30	38	37	28	50	46	12	...	46	...
Exceptional, and SRF	...	...	28	...	...	53	...	144	...	58	...	...	...
Precautionary	...	...	20	...	...	...	...	45	21	...	...	...	...
SBA and EFF													
Non-exceptional 4/	56	53	31	35	50	38	33	46	42	43	34	40	62
Exceptional, and SRF	...	...	44	...	500	53	329	172	100	58	320	510	170
Precautionary	34	34	20	35	27	27	27	43	21	40	30	30	...
SAF	23	23	...	35	50	...	...	...	...	...	...	...	...
ESAF/PRGF	43	32	31	37	36	35	35	35	23	22	25	21	...
Range of annual access													
SBA													
Non-exceptional 4/	22-100	26-90	18-48	11-68	24-100	18-80	24-69	20-81	20-85	18-85	16-57	19-97	25-100
Exceptional, and SRF	...	...	60	...	500	...	163-646	200	100	...	320	456-564	170
EFF													
Non-exceptional	72-92	18-64	20	17-43	33-43	17-55	20-45	45-55	21-84	12	...	46	...
Exceptional, and SRF	...	...	28	...	...	53	...	144	...	58	...	...	...
SAF 5/	23	23	...	35	50	...	...	...	...	...	...	...	...
ESAF/PRGF	33-57	20-40	18-40	27-50	20-64	20-50	25-50	27-53	14-40	21-84	17-42	2-36	...
Use of Fund credit outstanding at start of arrangement, excluding special facilities													
SBA (average)	71	44	36	22	25	50	27	31	61	39	32	72	153
EFF (average)	48	88	35	59	51	107	52	195	88	182	...	43	...
Projected use of Fund credit outstanding at end of arrangement, excluding special facilities													
SBA (average)	86	88	69	57	101	85	219	107	115	93	103	109	249
EFF (average)	48	94	80	101	66	145	78	217	94	224	...	154	...
Projected use of Fund credit outstanding at start of arrangement, including special facilities													
SBA	91	55	61	64	58	71	47	41	84	52	47	76	153
EFF	48	94	80	101	66	145	78	217	94	224	...	68	...
SAF	...	...	...	106	151	...	...	...	...	...	...	...	...
ESAF/PRGF	77	...	53	100	113	87	96	94	103	78	98	21	...
Projected use of Fund credit outstanding at end of arrangement, including special facilities													
SBA	115	103	106	104	142	103	365	116	133	103	113	109	249
EFF	275	174	150	149	147	230	189	317	181	237	...	163	...
SAF	70	...	...	150	235	...	...	...	...	...	...	...	...
ESAF/PRGF	188	...	128	165	154	166	183	169	134	122	123	21	...
Commitments (on approval)													
In percent of total quota	13	10	2	4	15	9	20	17	6	6	7	18	2
In billions of SDRs	9	7	3	6	21	13	29	24	14	12	15	39	4
Number of arrangements approved													
All arrangements	30	26	22	35	30	33	21	21	20	23	21	20	3
Non-exceptional arrangements	30	26	22	35	29	31	18	19	19	22	20	18	2

Sources: Executive Board documents, and information provided by the Treasurer's Department.

1/ Reflects amounts and duration at the time arrangements were approved; excludes potential access under external contingency mechanisms and other augmentations.

2/ Access expressed in terms of quotas of: Eighth General Review of Quotas through October, 1992; Ninth General Review of Quotas through January 1999; 11th General Review of Quotas through January 2003, and 12th Review of Quotas thereafter. From November 1992 to October 1994, annual access limits were set at 68 percent of Ninth General Review quotas, and since then the access limit of 100 percent of quota has been in effect.

3/ All arrangements under consideration for which access levels have been discussed in the context of recently cleared briefing papers or back-to-office reports.

4/ Including first credit tranche arrangements.

5/ Access under SAF in 1994 (Sierra Leone) and 1995 (Zambia) was accumulated under the Rights Accumulation Program.

Table 5. HIPC Initiative: Committed Debt Relief and Outlook 1/
Status as of March 7, 2003
(In millions of U.S. dollars)

	Reduction in NPV Terms 2/			Nominal Debt Service Relief			
	Original HIPC Initiative	Enhanced HIPC Initiative	Total	Original HIPC Initiative	Enhanced HIPC Initiative	Total	Date of Approval
Countries that have reached their Completion Points (7)							
TOTAL	**2,862**	**5,205**	**8,068**	**5,730**	**8,505**	**14,235**	
Bolivia	448	854	1,302	760	1,300	2,060	Jun-01
Burkina Faso 3/	229	324	553	400	530	930	Apr-02
Mali 4/	121	417	539	220	675	895	Mar-03
Mauritania	0	622	622	0	1,100	1,100	Jun-02
Mozambique	1,717	306	2,023	3,700	600	4,300	Sep-01
Tanzania	0	2,026	2,026	0	3,000	3,000	Nov-01
Uganda	347	656	1,003	650	1,300	1,950	May-00
Countries that have reached their Decision Points (19)							
TOTAL	**256**	**16,450**	**16,706**	**440**	**26,070**	**26,510**	
Benin 5/	0	265	265	0	460	460	Jul-00
Cameroon	0	1,260	1,260	0	2,000	2,000	Oct-00
Chad	0	170	170	0	260	260	May-01
Ethiopia	0	1,275	1,275	0	1,930	1,930	Nov-01
The Gambia	0	67	67	0	90	90	Dec-00
Ghana	0	2,186	2,186	0	3,700	3,700	Feb-02
Guinea	0	545	545	0	800	800	Dec-00
Guinea-Bissau	0	416	416	0	790	790	Dec-00
Guyana	256	329	585	440	590	1,030	Nov-00
Honduras	0	556	556	0	900	900	Jul-00
Madagascar	0	814	814	0	1,500	1,500	Dec-00
Malawi	0	643	643	0	1,000	1,000	Dec-00
Nicaragua	0	3,267	3,267	0	4,500	4,500	Dec-00
Niger	0	521	521	0	900	900	Dec-00
Rwanda	0	452	452	0	800	800	Dec-00
São Tomé and Príncipe	0	97	97	0	200	200	Dec-00
Senegal	0	488	488	0	850	850	Jun-00
Sierra Leone	0	600	600	0	950	950	Mar-02
Zambia	0	2,499	2,499	0	3,850	3,850	Dec-00
Countries still to be considered (12)							
Côte d'Ivoire 6/	345	2,224	2,569	800	3,100	3,900	Mar-02 7/
Burundi	...	...	...	...	...	...	
Central African Republic	...	...	...	...	...	...	
Comoros	...	...	...	...	...	...	
Congo, Dem. Rep. of	0	5,773	5,773	0	9,800	9,800	Jun-02 7/
Congo, Rep. of	...	...	...	...	...	...	
Lao PDR	...	...	...	...	...	...	
Liberia	...	...	...	...	...	...	
Myanmar	...	...	...	...	...	...	
Somalia	...	...	...	...	...	...	
Sudan	...	...	...	...	...	...	
Togo	...	...	...	...	...	...	
Memorandum item:							
Debt relief committed under original and enhanced frameworks 8/	**3,463**	**21,655**	**25,117**	**6,970**	**34,575**	**41,545**	

Sources: HIPC Initiative country documents; World Bank and IMF staff estimates.

1/ Commited Debt Relief under the assumption of full participation of the creditors.
2/ As of the completion point year for the Original HIPC Initiative and as of the decision point year for the Enhanced HIPC Initiative.
3/ The assistance under the enhanced HIPC Initiative includes the topping up with the NPV calculated in terms of the completion point year.
4/ The figures for the Enhanced HIPC Initiative correspond to the Completion Point Document approved by the World Bank and IMF's Executive Boards on March 6, 2003.

5/ Benin reached its completion point on March 24.
6/ It is suggested that debt relief under the original framework be overtaken by HIPC relief under the enhanced framework.
7/ Preliminary document issued.
8/ Countries that have reached their decision points under the enhanced HIPC framework through end-February 2003 and Côte d'Ivoire, which had reached the decision point under the original framework earlier.

Table 6: IMF's Financial Resources and Liquidity Position, 2001–Present
(In billions of SDRs unless otherwise indicated; end-of-period)

		2001	2002	Feb. 2003 SDRs	Feb. 2003 US$
I.	**Total resources**	217.1	218.1	218.4	299
	Members' currencies	209.0	210.3	210.3	288
	SDR holdings	1.5	1.2	1.4	2
	Gold holdings	5.9	5.9	5.9	8
	Other assets	0.7	0.8	0.8	1
	Available under GAB/NAB activation	-	-	-	-
II.	**Less: Non-usable resources**	114.7	117.9	117.0	160
	Of which: Credit outstanding	53.5	63.6	62.6	86
III.	**Equals: Usable resources**	102.5	100.2	101.4	139
IV.	**Less: Undrawn balances under GRA arrangements**	25.8	31.9	28.0	38
	Of which: Balances under CCL arrangements	-	-	-	-
V.	**Equals: Uncommitted usable resources**	76.7	68.3	73.4	101
VI.	**Plus: Repurchases one-year forward**	15.2	19.0	16.5	23
VII.	**Less: Prudential balance**	30.9	32.6	32.6	45
VIII.	**Equals: One-year forward commitment capacity (FCC)**	**61.0**	**54.7**	**57.3**	79
	Memorandum items:				
	Potential GAB/NAB borrowing	34.0	34.0	34.0	47
	Quotas of members that finance IMF transactions	154.7	163.1	163.1	224
	Liquid liabilities	56.9	66.1	65.0	89
	Liquidity ratio (in percent)	114.9	83.8	92.5	
	US$ per SDR	1.25673	1.35952	1.37085	

Note: Details may not add due to rounding.