1993
International Monetary Fund

Annual Report

Purposes of the Fund

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

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

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

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

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

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

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

Article I of the Fund's Articles of Agreement

Annual Report, 1993

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International Monetary Fund

Annual Report

of the Executive Board
for the Financial Year
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The following symbols have been used in this Report:

. . . to indicate that data are not available;

— to indicate that the figure is zero or less than half the final digit shown or that the item does not exist;

– between years or months (e.g., 1991–92 or January–June) to indicate the years or months covered, including the beginning and ending years of months;

/ between years (e.g., 1992/93) to indicate a crop or fiscal (financial) year.

"Billion" means a thousand million.

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

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

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Chief Editor

*Alphabetical Listing

July 15, 1993

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Letter of Transmittal to the Board of Governors

August 9, 1993

Dear Mr. Chairman:

I have the honor to present to the Board of Governors the Annual Report of the Executive Board for the financial year ended April 30, 1993, in accordance with Article XII, Section *7(a)* of the Articles of Agreement of the International Monetary Fund and Section 10 of the Fund's By-Laws. In accordance with Section 20 of the By-Laws, the administrative and capital budgets of the Fund approved by the Executive Board for the financial year ending April 30, 1994 are presented in Appendix VIII. The audited financial statements for the year ended April 30, 1993 of the General Department, the SDR Department, accounts administered by the Fund, the Staff Retirement Plan, and the Supplemental Retirement Plan, together with reports of the External Audit Committee thereon, are presented in Appendix IX.

Yours sincerely,

MICHEL CAMDESSUS
Chairman of the Executive Board

Chairman of the Board of Governors
International Monetary Fund

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Meeting the Challenge of a Global Monetary Order

During 1992/93, the Fund met new challenges and acted decisively to provide policy advice and financial and technical assistance to meet the urgent needs of its increasingly diverse membership. The scope and extent of its operations expanded significantly, and for the first time the institution was close to achieving the universality of membership that was a goal of its founding fathers almost fifty years ago. During the financial year, membership rose to 177 from 157. At the end of the financial year the membership applications of a further three countries were pending. (One of these countries, Micronesia, joined the Fund in June 1993.)

The Fund's activities took place against the backdrop of a world economic environment marked by continuing difficulties. Although, overall, global economic activity recovered slightly, this recovery was below expectations and was characterized by a persistence of low or negative growth in most industrial countries, together with high levels of unemployment and continuing structural impediments to growth. Among the industrial countries, while there were signs of a gradual recovery in the United States and Canada, growth declined in Japan, and most countries in Europe experienced economic stagnation or decline. Despite the weak performance of the industrial countries, the economic situation brightened in many developing countries in Asia—particularly in the newly industrializing economies of Southeast Asia—in the Middle East, and many countries in the Western Hemisphere. By contrast, economic growth weakened further in much of Africa.

In view of the continuing problems affecting the world economy, the Interim Committee of the Fund's Board of Governors at the end of April 1993 issued a declaration calling for a global cooperative effort to bolster confidence and strengthen prospects for a durable, noninflationary expansion of the world economy. The Committee added that the immediate and urgent need to conclude successfully the Uruguay Round of multilateral trade negotiations was crucial for increasing world prosperity.

The Committee underscored the Fund's vital role as the central international monetary institution. It emphasized that, in the face of the challenges of an increasingly integrated world economy, the Fund's effective surveillance over exchange rates and macroeconomic policies had become even more important. It pledged its support for the steps agreed by the Executive Board to strengthen this surveillance, including regional developments, in order promptly to identify and address problems that may give rise to tensions in the world economy and undesirable volatility in exchange rates.

During the year, the Fund continued to play a central role in the massive undertaking of supporting the transformation of the former centrally planned economies into market-based systems. A first credit tranche arrangement was approved for the Russian Federation, as well as upper credit tranche arrangements for each of the Baltic states and for many of the members in Central and Eastern Europe whose economies are in transition.

In recognition of the unique challenges facing the economies in transition, the Fund established in April 1993 a temporary systemic transformation facility (STF). This facility is designed to provide financing to members facing balance of payments difficulties arising from severe disruptions in their trade and payments arrangements owing to a shift from major reliance on trading at nonmarket prices to multilateral, market-based trade. Such members include those at the early stages of transition that have been unable, as yet, to formulate programs that the Fund could support under its existing lending facilities. Members using the facility will undertake to move rapidly toward policies that could subsequently be supported under stand-by, extended Fund facility, or enhanced structural adjustment facility (ESAF) arrangements. In May 1993, in conjunction with a stand-by arrangement with the Fund, Kyrgyzstan made the first purchase (for SDR 16 million) under this facility. Russia made a purchase (for SDR 1,078 million) in early July.

Among developing countries, a number have seen an improvement in economic conditions as a result of determined adjustment efforts to promote growth and introduce far-reaching structural reforms, often with financial and technical support from the Fund. Many others, however, still face difficult economic situations and must undertake major policy adjustments. The ESAF has proved to be effective in helping the low-income countries to implement comprehensive macroeconomic and structural policy programs in order to strengthen their balance of payments positions, foster growth, and attract external financing. Recognizing the effectiveness and importance of this concessional support, the Board agreed in April 1993 that a successor to the ESAF should be introduced in a timely manner for an additional period to provide continuity after the current cutoff date for commitments of November 1993.

To serve the needs of an expanding world economy, a substantial increase in Fund quotas became effective in November 1992. This increase, together with the quotas of new members, raised total Fund quotas by almost 60 percent, to SDR 144.6 billion at the end of April 1993, compared with SDR 91.2 billion at the end of April 1992. The initial quotas of new members that have joined the Fund since April 30, 1992, account for SDR 6.2 billion of the quota increase. The Fund's policy on access to its resources was reviewed by the Board in October 1992 in connection with the quota increase, and new access limits were established that were intended broadly to maintain potential access for the members.

In October 1992, the Board renewed the General Arrangements to Borrow for a five-year period from December 26, 1993, and approved an amendment to the arrangements to reflect Switzerland's membership in the Fund.

During 1992/93, the Board considered on two occasions the possible need for an allocation of SDRs and related issues. At a meeting in April 1993, the Board examined the long-term need to supplement existing reserve assets, the size of a possible SDR allocation, and issues regarding a post-allocation redistribution of SDRs. At that meeting, the broad support necessary for a new allocation was lacking. At the end of the month, the Interim Committee also had an exchange of views on the question of an SDR allocation. In its communiqué, it requested the Board to assess the long-term global need for a reserve asset supplement, the potential economic and monetary effects of an allocation, and the future of the SDR as a reserve asset. The Committee asked that a report on this work be submitted to it at its next meeting in September 1993.

With the continued implementation of the cooperative strategy to assist members to progress toward eliminating their overdue obligations to the Fund, the level of such arrears declined in 1992/93 for the first time since 1982, and one member was able to eliminate its protracted arrears to the Fund. The Third Amendment to the Fund's Articles of Agreement also came into force during the year. This allows for the suspension of voting and related rights of a member that persists in its failure to fulfill its obligations under the Articles, including a failure to settle its overdue financial obligations.

The scope and extent of the Fund's technical assistance and training activities continued to expand. This growth resulted from the increase in membership and the concomitant rise in the number of countries requiring technical assistance services from the Fund. In August 1992, a Technical Assistance Secretariat was set up within the Fund to provide a focal point for such activities and to coordinate technical assistance services both within the Fund and with other agencies.

The expansion of the Fund's membership and financial operations also necessitated an increase in the ceiling of the institution's regular staff, to more than 2,100, as well as the reorganization of some operational departments to adapt to the changing needs of member countries.

Economic Situation

The world economy showed a slight recovery in 1992. Activity increased at a modest 1¾ percent, compared with an increase of ½ of 1 percent in 1991. There was a weak rise in growth to 1½ percent in the industrial countries, a further weakening of growth in many African developing countries, and substantial output losses in countries in transition to a market-based economy in Central and Eastern Europe and the former U.S.S.R. At the same time, the developing countries in the Middle East and Asia and many countries in the Western Hemisphere displayed stronger growth, which helped to fuel a 6 percent increase in real GDP for the group of developing countries as a whole. The increase in growth in the industrial countries and the continued expansion of intraregional trade, particularly in Asia, was reflected by an increase in the growth of world trade to 4¼ percent.

Inflation continued to decline throughout the world in 1992, as demand remained below productive potential and price pressures eased in world oil markets. In the industrial countries, consumer price inflation declined to 3¼ percent; in some cases, it fell to the lowest rates since the 1960s. While the average rate of inflation in the developing countries remained below 40 percent, in almost half of the countries of this group the rate declined to below 9 percent. Declines were evident in many countries in Asia and the Western Hemisphere, as well as in the Middle East.

Owing to the prevailing weak conditions in the world economy, monetary conditions generally eased further in 1992 and early 1993. Market interest rates continued to decline in the United States. By comparison, monetary conditions remained tight in Europe throughout much of 1992 before easing somewhat in the fall and increasing in the first half of 1993.

The combined current account deficit of the industrial countries rose to $46 billion in 1992 from $27 billion in 1991, despite an improvement in the terms of trade. The deficit increased sharply in the United States and the United Kingdom, while the Japanese surplus increased steadily and reached a record level in dollar terms.

Among the developing countries, the aggregate current account deficit narrowed slightly to $64 billion in 1992, as normalization of external transactions in the Middle East was counterbalanced by rising deficits in other regions, notably the Western Hemisphere. The total debt of the developing countries fell as a percentage of export earnings to 116 percent in 1992 from 124 percent in 1991. Many countries continued to face debt problems, however, and a number of significant debt-restructuring agreements were completed during the year.

Economic Activity and Employment

World economic activity increased 1¾ percent in 1992 (Table 1). This modest growth was marked by a weak recovery in the industrial countries, a further weakening of growth in many developing countries in Africa, and further substantial output losses in the countries in transition to a market economy. In contrast, the developing countries in the Middle East and Asia experienced stronger growth in 1992, as did many countries in the Western Hemisphere. Reflecting the increase in growth in the industrial countries and the continued expansion of intraregional trade, particularly in Asia, the growth of world trade increased to 4¼ percent in 1992.

Economic growth in the industrial countries picked up to 1½ percent in 1992. Although the United States and Canada emerged from recession, growth declined sharply in Japan and many countries in Europe because of depressed levels of con-

Table 1

Overview of the World Economy[1]

(Annual percent change unless otherwise noted)

	1989	1990	1991	1992
World output	**3.3**	**2.0**	**0.6**	**1.8**
Industrial countries	3.2	2.1	0.2	1.5
United States	2.5	0.8	−1.2	2.1
Japan	4.7	4.8	4.0	1.3
Germany	3.4	5.1	1.0	2.0
France	4.1	2.2	1.1	1.8
Italy	2.9	2.1	1.3	0.9
United Kingdom	2.1	0.5	−2.2	−0.6
Canada	2.3	−0.5	−1.7	0.9
Seven countries above	3.1	2.0	0.2	1.6
Other industrial countries	3.8	2.7	0.6	0.8
Memorandum				
European Community	3.4	2.8	0.7	1.1
Western Germany	3.4	5.1	3.7	1.5
Developing countries	4.0	3.7	4.2	6.1
Africa	3.7	1.9	1.5	0.9
Asia	5.5	5.7	5.8	7.9
Middle East and Europe	2.9	3.9	2.1	9.9
Western Hemisphere	1.7	0.4	3.1	2.3
Countries in transition	1.9	−3.6	−10.1	−15.5
Central and Eastern Europe[2]	0.2	−7.4	−13.5	−7.5
Former U.S.S.R.	2.5	−2.2	−9.0	−18.5
World trade volume	**7.0**	**4.4**	**2.3**	**4.2**
Industrial country import volume	7.4	4.6	2.4	4.0
Developing country import volume	8.7	7.3	9.1	10.2
Commodity prices	21.5	28.2	−17.0	−0.5
Oil[3] *(in U.S. dollars a barrel)*	17.19	22.05	18.30	18.2
Nonfuel[4]	−0.5	−7.7	−4.5	−0.1
Consumer prices				
Industrial countries	4.6	5.2	4.5	3.2
Developing countries	61.9	65.4	35.7	8.7
Countries in transition	27.6	32.4	100.5	776.2
Central and Eastern Europe[2]	135.5	158.8	119.4	196.6
Former U.S.S.R.	2.3	5.4	94.7	1,201.8
Six-month LIBOR *(in percent)*[5]				
On U.S. dollar deposits	9.3	8.4	6.1	3.9
On Japanese yen deposits	5.5	7.8	7.2	4.3
On deutsche mark deposits	7.2	8.8	9.4	9.4

[1] Country group composites for output and inflation are based on individual country estimates weighted by purchasing power parity (PPP) values of their respective GDPs.
[2] The countries in Central and Eastern Europe comprise Albania, Bulgaria, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic, as well as Croatia, Slovenia, and the other republics of the former Socialist Federal Republic of Yugoslavia.
[3] Simple average of the U.S. dollar spot prices of U.K. Brent, Dubai, and Alaska North Slope crude oil.
[4] In U.S. dollars; based on world export weights.
[5] London interbank offered rate.

sumer and business confidence and because of actions by households and businesses to reduce excessive levels of debt following the sharp declines in asset prices. Economic activity in Europe was also restrained by persistently high short-term real interest rates and considerable tensions in exchange markets. As a result, the unemployment rate in the industrial countries increased from 7 percent in 1991 to 7¾ percent in 1992 (Chart 1).

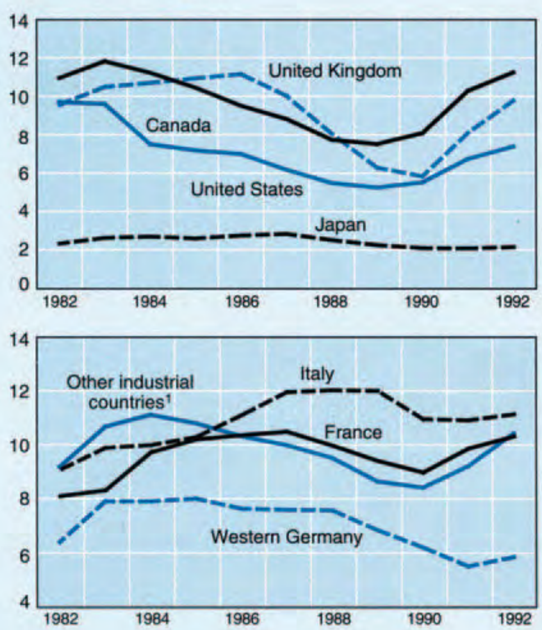
The initial sluggishness of the U.S. recovery in the first half of 1992 gave way to stronger growth later in the year (Chart 2). The expansion has been subdued compared with previous recoveries, mainly because of private sector balance sheet adjustments to reduce debt levels, low employment growth, and subdued confidence. Canada also experienced a subpar recovery, in part because of its interdependence with the United States but also because of ongoing restructuring and cost cutting by businesses. By contrast, output declined in the United Kingdom for the second consecutive year, as high real interest rates throughout most of 1992 and ongoing financial restructuring continued to restrain demand. In early 1993, the expansion in North America became more deeply rooted and the U.K. industrial sector showed encouraging signs of recovery following reductions in interest rates and the depreciation of sterling.

In Japan, output growth slowed significantly in 1992 as private spending retreated as a result of stock adjustments and a decline in asset prices. As economic conditions have worsened in Japan, profits have fallen sharply, labor market conditions have eased considerably, consumer confidence has remained low, and the banking sector has experienced a sharp rise in nonperforming loans. In western Germany, economic growth declined sharply to 1½ percent, reflecting, in part, high interest rates associated with tight monetary policies required to contain inflation and expansionary fiscal policies following unification. At the same time, the construction sector in eastern Germany supported activity but the industrial sector remained weak because of the rapid growth in wages relative to productivity.

Other European countries also were affected by tight monetary conditions and by a general deterioration in the economic climate. In France, the contribution of exports to growth was partly offset by weak domestic demand related to low consumer confidence and higher unemployment. Similarly,

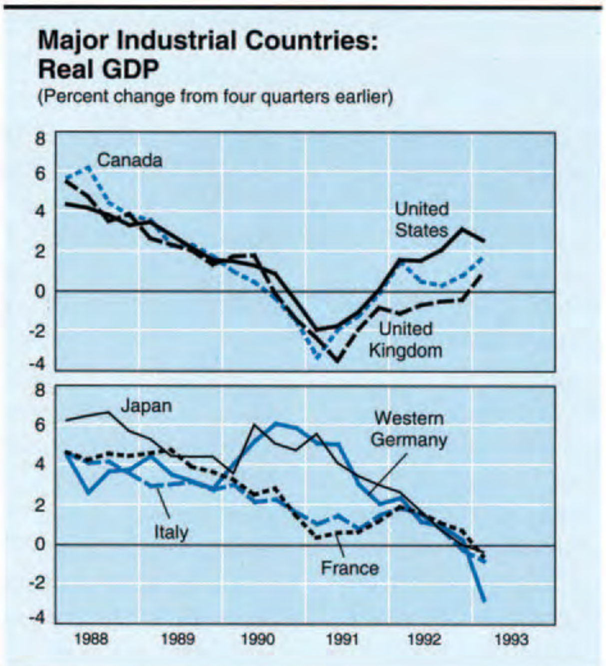
Chart 1

Industrial Countries: Unemployment Rates
(In percent of labor force)



¹Aggregation based on labor force weights.

Chart 2



Major Industrial Countries: Real GDP
(Percent change from four quarters earlier)

in Italy, although the effects of weak domestic demand were partly mitigated by an improvement in competitiveness (from the elimination of wage indexation and the suspension of the lira from the exchange rate mechanism (ERM) of the European Monetary System (EMS)), growth nevertheless declined. In addition, economic conditions remained weak in many smaller industrial countries because of the generally sluggish economic environment—which weakened key export markets—and domestic budgetary and financial imbalances.

In the developing countries, real GDP increased by 6 percent in 1992. Low interest rates on U.S. dollar-denominated external liabilities, and considerable capital inflows in some cases, helped to offset the effects of declining terms of trade for commodity exporters and of generally weak demand in the industrial countries. The comparatively strong performance of a growing number of developing countries was the result of the beneficial effects of sustained stabilization and reform efforts in the context of outward-oriented economic strategies. For many other developing countries, economic conditions remained weak, and living standards continued to decline in many of the poorest countries.

The increase in growth in the developing countries as a group was spurred by a strong recovery in the Middle East following the 1990–91 crisis and a rise in growth in Asia to 8 percent—owing to a dramatic rise in production in China and strong growth in countries such as Bangladesh, India, and Pakistan that had adopted sound financial policies and structural reforms. In the Western Hemisphere, output growth declined because of a substantial drop in output in Brazil associated with difficulties in establishing an appropriate macroeconomic policy. Excluding Brazil, regional growth averaged 4¼ percent, as Argentina, Chile, Uruguay, Venezuela, and a number of smaller countries grew by 7 percent or more. In Africa, adverse movements in terms of trade, ongoing effects of the drought in southern Africa, and disruptions from conflicts in a number of countries limited growth to ¾ of 1 percent in 1992. Growth in countries that had arrangements under the Fund's structural adjustment facility (SAF) or enhanced structural adjustment facility (ESAF) was above the regional average.

The economic situation remained difficult for the countries in transition from central planning, following what was already a sizable decline in output in 1990–91. With the exception of Poland, output declined further in 1992 in the Central European economies in transition, although the rates of decline slowed markedly. In the former Czech and Slovak Federal Republic, Hungary, and Poland, there was a pickup in private sector activity and exports. Output continued to decline sharply in other countries where key aspects of the reform and stabilization efforts were not yet fully implemented. In the former Socialist Federal Republic of Yugoslavia, disruptions caused by its breakup and the continuation of the regional conflicts severely reduced production. In Russia and most other states of the former Soviet Union, economic conditions worsened. Real GDP is estimated to have fallen in the region by nearly 20 percent in 1992, but in some states output losses have been greater. In addition to problems associated with the transformation to a market economy, the continued collapse in output resulted from difficulties in implementing macroeconomic stabilization policies, political unrest, and uncertainties about the reform process itself. Disruptions to trade and payments arrangements also contributed to the output decline experienced by countries in transition.

Price Developments

Inflation continued to decline worldwide in 1992 and early 1993 as demand remained well below productive potential in many regions. Contributing to lower inflation were an easing of price pressures in world oil markets owing to high levels of oil production, slow economic growth, and low demand for heating oil because of unseasonably warm weather in Europe and North America. Prices of nonfuel commodities also declined further, reflecting high rates of production, the arrival of exports from the countries in transition, and generally weak world demand for commodities.

Consumer price inflation declined to 3¼ percent in the industrial countries in 1992; in some cases, it fell to the lowest rates since the 1960s—in part reflecting the removal of structural rigidities and credible commitments to reduce inflation further. Inflation declined to below 2 percent in both Japan and Canada, remained at 3 percent in the United States, and declined to 4½ percent in the European Community (EC). Among the large European countries, consumer price inflation was 2¾ percent in France, 3¾ percent in the United Kingdom, 4½ percent in Germany, and 5¼ percent in Italy. A number of the smaller industrial countries reduced their inflation rates to below 2 percent in 1992.

Average inflation in the developing countries remained below 40 percent in 1992, and almost half of the developing countries had an inflation rate below 9 percent (Chart 3). Inflation rates declined in most Asian countries and in many countries of the Western Hemisphere, partly as a result of cautious financial policies. A notable exception was Brazil, where the widening fiscal imbalance led to about a tenfold rise in the price level. In Africa, the average inflation rate increased, in part because of the drought in southern Africa, although price performance improved in a number of individual countries. Inflation in the Middle East and the developing countries of Europe increased slightly to an average of 26½ percent.

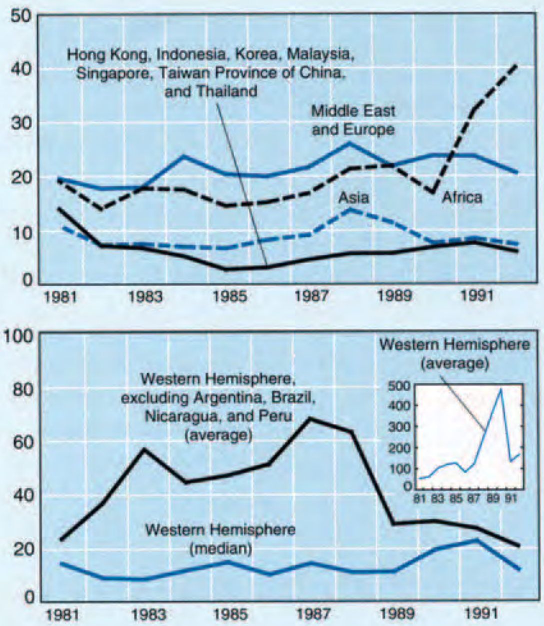
In the countries in transition, there were marked divergences in inflation performance in 1992. Following successive rounds of price liberalizations, inflation was brought under control in the former Czechoslovakia and fell substantially in Hungary and Poland. Inflation remained high in Romania and Bulgaria, despite a large decline in the latter, and hyperinflation prevailed in much of the former Socialist Federal Republic of Yugoslavia. In the former Soviet Union, however, inflation surged to 1,300 percent. Price liberalization in Russia led to an initial surge in prices early in 1992, after which there was a marked decline in the monthly rate until August. Toward the end of the year, however, lax fiscal and monetary policies led to a sharp acceleration of inflation. Inflation increased sharply in other countries of the region as well.

Financial and Exchange Market Developments

Owing to the weak economic conditions in the world economy, monetary conditions generally

Chart 3

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



[1]Composites are geometric averages of consumer price indices measured in local currencies for individual countries weighted by GDP valued at PPPs as a share of total world or group GDP.

eased further in 1992 and early 1993 and the six-month London interbank offered rate (LIBOR) declined significantly. Market interest rates continued to decline in the United States as the Federal Reserve allowed the federal funds rate to drift downward and lowered the discount rate to 3 percent. The official discount rate was also lowered successively in Japan, from 4½ percent in early 1992 to 2½ percent in February 1993, and both short- and long-term interest rates also declined substantially.

In Europe, by comparison, monetary conditions remained tight throughout most of 1992 before easing somewhat in the fall and increasing in the first half of 1993. In mid-July 1992, the Deutsche Bundesbank raised the discount rate to a record high of 8¾ percent as monetary growth and inflation increased. Toward the end of the summer, however, economic conditions in Germany worsened and market interest rates declined; official interest rates were reduced somewhat in mid-September during the exchange market crisis. In early 1993, in response to further signs of economic recession and indications that inflation pressures were beginning to abate, the Bundesbank reduced the discount rate further, in several steps, to 7¼ percent and the Lombard rate to 8½ percent. Monetary conditions in other ERM countries closely followed those in Germany and were dominated by the European currency crisis in mid-September. In early 1993, interest rates generally declined with the abatement of inflationary pressures; this decline has both reflected and contributed to an easing of tensions in the ERM.

In foreign exchange markets in 1992, the U.S. dollar appreciated by 6½ percent against the deutsche mark and the French franc and by approximately 25 percent against both the pound sterling and the Italian lira; the dollar appreciated by ½ of 1 percent against the Japanese yen. However, the value of the dollar fluctuated during the year; it appreciated by 7 percent (in nominal effective terms) through early March, depreciated by about 10 percent through early September, and then appreciated nearly 14 percent by the end of the year. The turmoil in the ERM that began in mid-September 1992 led to the suspension of the lira and the pound sterling from the mechanism and to a series of four realignments in the period to the end of April 1993 (two depreciations of the Spanish peseta and

Box 1

Discrepancies in Global Balance of Payments Statistics

In principle, the sum of the external current accounts worldwide should sum to zero, as should the sum of the global measures on capital account. For a number of years, the global data on current account have shown a large negative discrepancy or excess of recorded debits. Conversely, the global capital account has shown a large positive discrepancy or excess of recorded credits (capital inflows). These discrepancies derive from errors, omissions, and asymmetries in countries' treatment of balance of payments statistics, as well as the absence of data for a limited number of countries that do not compile such data. Such discrepancies can undermine the credibility of analysis of global economic developments and can hinder the formulation of appropriate policies. They may also contribute to the development of protectionist pressures owing to mistaken perceptions of countries' balance of payments situations.

Noting the large asymmetries in the statistics published by the Fund on world current account, in particular in the investment income, shipping and transportation, and official transfers accounts, the Fund in 1984 established a Working Party under the chairmanship of Pierre Esteva to investigate and recommend procedures to improve statistical practices in these areas. The *Final Report of the Working Party on the Statistical Discrepancy in World Current Account Balances*, published by the Fund in 1987, offered a number of recommendations addressing measurement issues in each of the principal areas and for improving consistency of global balance of payments data on current account.

The Interim Committee in its communiqué of September 25, 1989 "encouraged the Executive Board to continue improving the analytical and empirical framework underlying multilateral surveillance, including the measurement, determinants, and systemic consequences of international capital flows." For this purpose, a second Working Party was established in December 1989, under the chairmanship of Baron Jean Godeaux, to evaluate statistical practices relating to the measurement of international capital flows (*Annual Report, 1992*, pages 40–41). It submitted its final report, entitled *Report on the Measurement of International Capital Flows*, to the Board in February 1992, and it was published by the Fund in September 1992. The report found that world capital account statistical systems had failed to keep pace with the growth in the volume and complexity of international transactions, and as a consequence there had been a deterioration in the quality of capital account statistics in many countries.

To improve these data, the Working Party on the Measurement of International Capital Flows made a number of recommendations directed to national compilers and international organizations. These included, inter alia, the need for national authorities to keep their statistical systems under review and adapt them quickly to the changing international financial environment, and to reinforce statistical agencies that compile balance of payments statistics.

Various recommendations of a technical nature were made to address problems in each of the component categories of the capital account. As a follow-up mechanism, the Working Party also recommended that a small standing committee of senior balance of payments compilers should be set up, under the auspices of the Fund, to oversee the implementation of recommendations in its report and those in the earlier *Current Account Report*. In response to this recommendation, the Fund established the IMF Committee on Balance of Payments Statistics in the summer of 1992.

The new committee, comprising representatives from industrial and developing countries, together with international organizations involved in this area, held its inaugural meeting in November 1992, and a second meeting in April 1993. Among the statistical issues being addressed by the committee are improvements to international banking statistics compiled by the Fund and the Bank for International Settlements to make them more usable in balance of payments compilation, the coordination of a benchmark survey on portfolio investment, and research on the recording of flows relating to financial derivatives.

depreciations of the Portuguese escudo and the Irish pound). The three Nordic currencies that had been pegged to the European currency unit (ECU) were forced to float. Following the suspension of the pound sterling and the Italian lira from the ERM in September 1992, the two currencies have depreciated in nominal effective terms. By mid-April 1993, the depreciation amounted to 14 percent and 23 percent, respectively. Along with these developments, both the dollar and the yen appreciated markedly—by 10 percent and 17 percent, respectively. In the first four months of 1993, foreign exchange markets have been characterized by several broad developments: ongoing strains within the ERM early in the period, with a marked easing of tensions after mid-February; the appreciation of the yen against the European currencies and a new record high against the U.S. dollar in mid-April; and the continued appreciation of the U.S. dollar against the European currencies—well above the level registered before the European crisis—despite some downward movement in April.

External Balances, Financing, and Debt

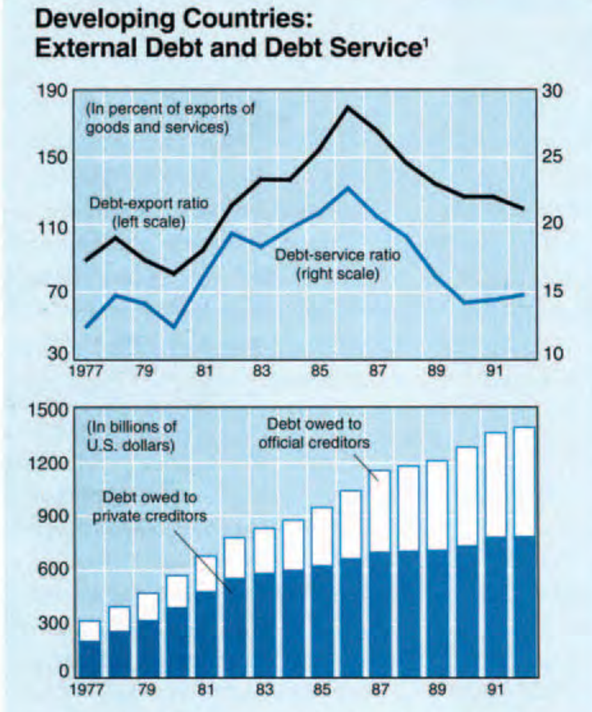
The combined current account deficit of the industrial countries rose from $27 billion in 1991 to $46 billion in 1992, despite an improvement in the terms of trade. In the United States, the current account deficit increased sharply as economic recovery gained momentum and as the transfers related to the conflict in the Middle East, which reduced the deficit in 1991, ended. The U.K. current account deficit also widened considerably, as export growth slowed and as imports rose to a level more consistent with the historical trend. The Japanese current account surplus increased steadily in 1992 and reached a record level in dollar terms; this increase reflected a sharp reduction in the growth of domestic demand, lower world commodity prices, and the effect on dollar export prices of the appreciation of the yen in 1991–92. France also recorded a current account surplus in 1992 because of strong exports and weak domestic demand.

The aggregate current account deficit of the developing countries narrowed to $64 billion in 1992, as the normalization of external transactions in the Middle East was counterbalanced by rising deficits in other regions, notably the Western Hemisphere. Net external financing[1] to the developing countries increased by $8 billion, to $112 billion, owing to a sharp rise in net financing flows to the Middle East and in portfolio investment in the Western Hemisphere (Chart 4). The current account deficit increased in the countries in transition, although experiences within the region differed considerably. The external deficit declined sharply in the countries of Central Europe, to $1½ billion, primarily because of increased exports to Western Europe; but it widened in the states of the former Soviet Union as exports, particularly of oil, declined. Net external financing flows to Central European countries in transition rose to $4¾ billion in 1992 (Chart 5). (See Box 1 for a discussion of the discrepancies in the global current and capital account balances.)

Total debt (excluding Fund credit) of the developing countries fell as a percent of export earnings from 124 percent in 1991 to 116 percent in 1992. Many countries continued to face difficult debt problems, however, including in sub-Saharan Africa where countries have remained vulnerable to adverse terms of trade and other setbacks including the drought. Significant debt-restructuring agreements were completed in 1992. These agreements involved restructuring of commercial bank debt totaling $35 billion and a net reduction of arrears of $15 billion—a substantial amount in the Western Hemisphere. Major agreements included a debt-restructuring package with the Philippines, and an agreement to restructure Argentina's foreign debt, both financed in part by the

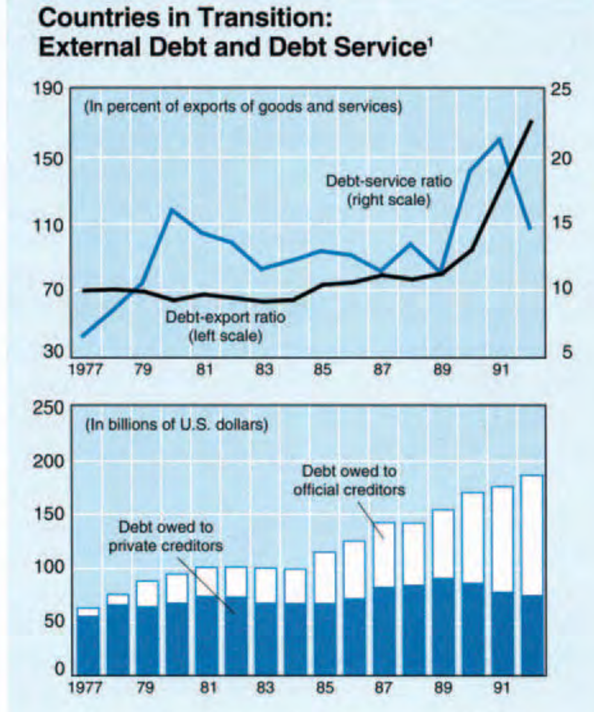
[1] Net external financing is defined as the amount required to finance the sum of the deficit on goods, services, and private transfers; the increase in the level of official reserves; net asset transactions; and transactions associated with net errors and omissions.

Chart 4



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

Chart 5



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

allocation of roughly $1 billion from the Fund in support of debt-reduction packages. Brazil reached an agreement on a term sheet for a comprehensive bank debt package that was recently presented to creditors. Among low-income countries, Bolivia and Uganda have made good progress toward debt workouts with the commercial banks.

Further progress was also made in restructuring official bilateral debt. Between July 1992 and May 1993, Paris Club creditors agreed to grant debt relief on enhanced concessional terms to ten low-income developing countries. Agreements have also been reached with five middle-income countries, and in April 1993 official bilateral creditors concluded a rescheduling agreement with the Russian Federation, covering some $15 billion of arrears and debt-service payments falling due through the end of 1993 on the debt of the former Soviet Union.

Trade Policy Developments

The Fund reviews trade policy issues under its surveillance functions and in the context of member countries' macroeconomic and structural reform programs. At the global level, trade policy issues are examined by the Board both at the time of the World Economic Outlook exercise and on the basis of more comprehensive periodic reviews of trade policies prepared by the staff. The last such comprehensive review was held in November 1991 (*Annual Report, 1992,* pages 65–69). The Board's discussions, as well as the consideration of trade issues in the Interim Committee, have been dominated by the continuing failure to reach agreement in the Uruguay Round of multilateral trade negotiations; the issues affecting trade relations in both the industrial and the developing countries; and the distinct problems facing countries in transition to a market-based system. The declaration issued by the Interim Committee in April 1993 stressed the immediate and urgent need for successfully concluding the Uruguay Round (Box 2).

Box 2

Uruguay Round

The Uruguay Round negotiations have been effectively on hold since early 1992, pending agreement between major trading partners on such difficult issues as export subsidies in agriculture, domestic subsidies in general, and the negotiation of increased market access. Nevertheless, there has been clear progress in certain areas of the Round, including clarification of segments of the Draft Final Act, which had been put forward at the end of 1991. In particular, the Draft Services Agreement was considerably clarified.

Remaining problems largely involve potential exclusions and dealing with "free riders" in services in the event commitments to liberalization are not sufficient. Broad agreement has been reached on protection of intellectual property rights with only one or two issues outstanding. Improved procedures for dispute settlement already have been put into effect on a pro tem basis, and more extensive changes will go into effect upon implementation of the Uruguay Round. The organizational features of fitting together the GATT and the resulting Uruguay Round agreements have been fleshed out and clarified; there now is general agreement that the resultant institutional provisions should be an umbrella for all trade in goods and services, as well as intellectual property, to be administered under one institutional framework.

Prospects have improved for achieving the goal of a tariff cut of one third set at the mid-term review. Remaining questions concern the improvement in rules, particularly in antidumping and countervailing procedures and recognition of the nexus between trade and the environment. The decision of the U.S. Administration to seek renewal of fast-track authority for the Uruguay Round, for a period that foresees agreeing on an overall package by the end of 1993, has revived hopes that the opportunities for trade growth provided by the Round—and the removal of uncertainties—may not be wasted.

Trade Relations Among Industrial Countries

Trade policy developments in the industrial countries in 1992/93 have been overshadowed by the continued uncertainty about the conclusion of the Uruguay Round. Trade relations among these countries have been characterized by recurrent trade tensions against a backdrop of macroeconomic imbalances, structural impediments to growth, and high unemployment. Frictions have increased in several sectors that continue to be insulated from foreign competition through trade restrictions, subsidies, or managed trade agreements. This has been reflected in a rise in trade disputes, both within and outside the General Agreement on Tariffs and Trade (GATT), which have contributed to a number of trade confrontations in the 12 months under review. The persistence of trade imbalances between major industrial countries has intensified protectionist pressures. Industrial countries' trade relations with developing countries, especially in Asia and the Western Hemisphere, have been increasingly influenced by issues such as the protection of intellectual property rights, the environment, and labor standards.

In addition, major industrial countries have continued to rely heavily on antidumping and countervailing duties, voluntary export restraints (VERs), and threats of retaliation as important instruments of trade policy. This, in turn, has triggered greater adoption of antidumping legislation and other actions by developing countries. Pending the conclusion of the Uruguay Round, industrial countries—with some exceptions (Australia, New Zealand, and Sweden)—have generally limited their market opening efforts to the furtherance of regional integration objectives. In 1992, the EC took some steps toward reform of the Common Agricultural Policy.

Trade Policies in Developing Countries

Trade policies in many developing countries in recent years have been characterized by efforts to liberalize and rationalize their exchange and trade regimes as part of comprehensive macroeconomic and structural adjustment programs, often supported by Fund and World Bank resources. These efforts have frequently led to a phased reduction or elimination of quantitative trade restrictions and their replacement with tariffs, as well as a reduction in the level and dispersion of tariffs (recent examples include Brazil, Ecuador, Guatemala, India, Mali, Tanzania, and Zimbabwe). In Africa, many countries are beginning to liberalize and improve the transparency of their trade regimes, although much remains to be done in a number of cases. In Asia, several countries have continued to pursue their long-standing policy of gradual but steady liberalization, while others recently have joined the trend away from inward-looking policies. Latin American countries have extended and consolidated the trade liberalization they initiated in the 1980s; in particular, tariff dispersion has been further reduced and, in line with their increasing adoption of GATT and Tokyo Round Code obligations, they are implementing the harmonized tariff system. However, liberalization has met with resistance in some sectors where world markets are particularly distorted, such as agriculture. This, together with the increased friction in the trading environment, has led many developing countries to more frequent use of measures such as safeguards, as well as antidumping and variable levies to shield domestic industries from "unfair" foreign competition.

Many developing countries have increasingly become aware of the benefits of a stable and liberal multilateral trading system and have accordingly been seeking an early conclusion to the Uruguay Round as a means of assuring stable and predictable trading rules and of securing market access in areas of their export interest—such as textiles, agriculture, and some services—as well as fostering multilateral rather than bilateral solutions to frictions in other areas.

The unilateral liberalization efforts by developing countries have been accompanied by increasing interest in participation in the multilateral trading system, as evidenced by the significant number of new accessions to the GATT. In 1992/93, several countries—Dominica, Mali, Mozambique, Namibia, St. Lucia, and Swaziland—acceded to the GATT; a number of other countries are in the process of accession, while others have received observer status. In the 16-month period ended April 1993, the Fund participated in the consultations of the GATT's Committee on Balance of

Payments Restrictions with Bangladesh, Egypt, India, Pakistan, the Philippines, Poland, Sri Lanka, Tunisia, and Turkey.

Trade Liberalization in Economies in Transition

Central and Eastern European countries continued the process that began in the late 1980s of liberalizing and reorienting their exchange and trade regimes on market-based principles. In some instances, temporary import surcharges were introduced to ease the strains of transition, including in the context of budgetary or balance of payments difficulties, or both. The difficulties in developing an adequate domestic revenue base and effective tax collection system are emerging as constraints on the sustainability of trade liberalization. A number of these countries (specifically Hungary, Poland, and Romania) are renegotiating their protocols of accession to the GATT to reflect market-oriented reforms, while several others are seeking GATT membership. One feature of the political and economic strategy of anchoring their economies irreversibly to the West, which has been adopted by the Central and Eastern European countries and the Baltic states, has been to seek closer integration with the EC and the European Free Trade Association (EFTA), initially via association or free trade agreements.

These arrangements provide for the gradual removal over a number of years of trade barriers on most industrial goods; however, a number of key sectors of strong export potential for Central and Eastern European economies, such as agriculture, textiles, and steel, remain subject to significant barriers to entry, albeit temporary in a number of instances. Most recently, the EC has started moves toward accelerating preferential market access under the association agreements. The EC has also signed trade and cooperation agreements with Albania and Slovenia. The Czech and Slovak Republics formed a customs union and also entered into a free trade agreement with Hungary and Poland.

Trade among the states of the former Soviet Union continued to decline sharply during 1992 and early 1993, as did their trade with the rest of the world. This partly reflected, and contributed to, the decline in economic activity across the former Soviet Union.

Progress in reform of trade and payments regimes has varied in the Baltic states and the states of the former Soviet Union. The Baltic states achieved the greatest progress in reorienting their policies toward market mechanisms, as part of comprehensive economic reforms supported by the use of Fund resources. These countries have also sought greater integration with Western Europe; each signed a free trade agreement with Norway, Sweden, and Finland, respectively, as well as trade and cooperation agreements with the EC.

Other states of the former Soviet Union have experienced greater difficulties in reorienting their trade regimes. Export quotas, licensing requirements, and explicit and implicit export taxes and payments restrictions were used in an attempt to sustain domestic price controls (particularly in primary product sectors) and to mitigate the adverse affects of monetary expansion. Although imports remained largely free of quantitative trade restrictions, and tariffs in most cases were maintained at moderate levels and were mainly geared to raising revenue, these states have adopted a number of transitional payments arrangements that have posed an obstacle to effective import liberalization.

Many of these states have resorted to barter (including barter with countries outside the area of the former Soviet Union) or intergovernmental trade agreements in order to preserve a minimum of trade, to ensure supplies of critical raw materials, or to arrest deterioration of their terms of trade. Nonetheless, reforms aimed toward establishing a more market-based trade and payments system have been initiated in some states of the former U.S.S.R. These include broadening the role of foreign exchange markets through introducing greater current account convertibility, reduction of implicit export taxes, and exchange rate unification.

Several states of the former Soviet Union have received observer status in the GATT as a first step to their possible accession (Armenia, Belarus, Estonia, Kazakhstan, Latvia, Lithuania, Moldova, Turkmenistan, and Ukraine); the Russian Federation took over the observer seat formerly occupied by the Soviet Union.

Regional Trade Arrangements

The trend toward regional integration accelerated in 1992 both among industrial countries and developing countries. This reflected partly a deepening of existing trade arrangements and partly the stalemate in the Uruguay Round—which intensified fears of unilateral defensive trade actions and the need to increase bargaining power vis-à-vis other trading blocs, especially with the advent of the European single market and the North American Free Trade Agreement (NAFTA).

In Europe, the EC's single market, which came into existence in January 1993, entails further intra-EC liberalization in goods, services, and factors of production and greater harmonization of standards. By the end of 1992, nearly all the single market measures had been adopted by the EC Council, although some proposals were still under discussion; member states are in the process of completing the adjustment of their national legislations to some of the new EC rules.

The single market program is one of the most important European initiatives directed toward stimulation of trade and growth since the establishment of the EC. The harmonization of technical and supervisory standards in combination with greater market access will expose national industries to additional pressures of competition from within and outside the EC, which should induce them to improve efficiency and strengthen their ability to adjust to new circumstances. The creation of the single market is a recognition of the essential importance of open, international competition as an engine for growth of trade and incomes.

The implementation of the single market program has improved access intraregionally (and in some service industries also for third countries), and it has also enhanced transparency and legal security in many sectors both for EC and non-EC producers. However, this liberalization has not always been accompanied by immediate dismantling of existing protection against outside competition in sensitive sectors, such as automobiles, steel, textiles, coal mining, and shipbuilding; in the case of bananas, the reach of trade restrictions against third countries is being widened. The EC and EFTA countries (except Switzerland) signed an agreement to create a European Economic Area that would establish a single market among the participants; the European Economic Area could enter into force later this year if ratified by the legislatures of its members. Most EFTA members also have declared their intention to become full members of the EC.

As mentioned earlier, the EC and the EFTA countries entered into various regional trade agreements with several Central and Eastern European countries, while similar arrangements have been concluded among the latter; the Baltic states have concluded free trade agreements with some EFTA countries and cooperation agreements with the EC and are also contemplating a free trade area among themselves.

In the Western Hemisphere, NAFTA was concluded among the executive branches of Canada, Mexico, and the United States in 1992 and is awaiting ratification by their legislatures. NAFTA is intended to expand progressively the flows of goods, investment, and services among the participants; trade restrictions against third countries have not been increased, though the risk of some shifts away from nonmembers in trade and investment in selected sectors (such as automobiles, textiles, and services) cannot be ruled out. In Central and South America, the impetus toward integration has been intensified among existing groupings—especially the Southern Cone Common Market (MERCOSUR), the Andean free trade area, and the Caribbean Community

(CARICOM)—and through the formation of smaller new groupings.

In other parts of the world, too, the interest in regional arrangements has deepened. Members of the Association of South East Asian Nations (ASEAN) concluded an ASEAN Free Trade Agreement (AFTA); the Economic Cooperation Organization was extended to cover some of the Central Asian states; and in Africa, the Preferential Trade Area for Eastern and Southern African States (PTA), the Southern African Development Community (SADC), the Central African Customs and Economic Union (UDEAC), and the Economic Community of West African States (ECOWAS) are considering ways to make integration more effective.

Trade and the Environment

The relationship between trade and the environment is becoming an important and complex issue in national and international trade relations. Three themes have pervaded the debate: (1) the effect on the environment of growth in general, and trade in particular; (2) the consequences for international competitiveness of differential environmental standards and whether trade restrictions could be used to offset these differences; and (3) the role of trade measures—for example, for enforcement purposes—in finding cooperative solutions to global environmental problems.

The interaction between trade regulations and the environment has been highlighted by a number of cases that have gained prominence in recent years, for example, the U.S. measures against tuna caught through fishing methods harmful to dolphins; the Austrian labeling requirements on tropical timber; and, most recently, whether NAFTA should be conditioned on securing higher environmental standards and their effective enforcement.

In the GATT, the Group on Environmental Measures and International Trade was revived in 1991 and has been examining three issues: (1) trade provisions contained in existing multilateral environmental agreements vis-à-vis GATT principles; (2) transparency of national environment regulations likely to have trade effects; and (3) trade effects of new environmental packaging and labeling requirements. The United Nations Conference on Environment and Development in June 1992 supported the need for open markets as part of international efforts to attain sustainable development and identified trade-related environmental issues for future discussions. Some of these issues are likely to be taken up in the further work of the GATT. These include the trade aspects of sustainable development, especially their environmental dimension.

World Economic Outlook

The Fund's Executive Board, and subsequently the Interim Committee, regularly reviews global economic developments and policies. These reviews are based on the World Economic Outlook report, which is prepared by Fund staff and contains comprehensive analyses of short-term and medium-term prospects for the world economy as well as for individual countries and country groupings. By providing the global context that is necessary for the Fund to carry out its surveillance responsibilities with regard to individual members, the World Economic Outlook exercise helps to identify possible areas of tension that may arise among countries if economic policies continue unchanged. It also gives Fund members the opportunity to monitor systematically the world economic situation and to analyze the implications of individual country policies for the international monetary system.

World Economic Outlook reviews usually are conducted twice a year, in the spring and in the fall. However, if conditions in the world economy change markedly in the period between regular discussions, the Executive Board may decide to hold additional discussions. In December 1992, it held such a supplemental discussion. Its purpose was to reevaluate prospects and policies, particularly in the major industrial countries, in the aftermath of a weakening of activity in many key economies and following a period of considerable turmoil in foreign exchange and financial markets associated with the crisis in the ERM in September 1992.

In their discussions in September and December 1992 and April 1993, Directors examined a wide range of global economic issues, such as the link between trade and growth, the prospects for recovery in the industrial countries, the stabilization and reform efforts of developing countries, and the progress made by the countries in Central and Eastern Europe in their transition to a market economy. Summaries of these discussions follow.

Global Situation

On a number of occasions during earlier discussions on the world economic outlook, Directors had emphasized the need for a medium-term orientation of economic policies, as well as the need to ensure that short-term policy concerns are consistent with the medium-term growth strategy followed by countries since the early 1980s. Among the aims of this strategy are achieving a high degree of price stability, that is, a low and stable rate of inflation that does not distort economic decisions; fostering saving, especially by reducing public sector deficits; and eliminating obstacles to an efficient allocation of resources and to high employment through structural reforms.

In their discussions in April 1993, Directors generally shared the view that despite the near-term uncertainty, there was substantial potential for strengthening global economic performance in the medium term through close adherence to the medium-term strategy and a cooperative and coordinated approach in which each country played its role. In this process, Directors saw a key role for strengthened Fund surveillance to emphasize the mutually reinforcing gains from the cooperative actions of individual countries.

At the two earlier discussions in September and December 1992, Directors also had stressed the need for cooperative policy actions that would reduce uncertainty and strengthen confidence, as well as the need for effective adherence to the basic tenets of the medium-term strategy. In fact, in the discussion in December 1992 following the ERM crisis, there was wide agreement that the medium-term strategy had not failed, but rather that it had not been fully implemented. In December 1992, Directors called on the industrial countries to demonstrate a new spirit of cooperation in efforts to coordinate their macroeconomic and exchange rate policies in the common interest. They saw the challenge of supporting the transformation of the former centrally planned economies, while continuing to assist the successful development of many of the world's poorer nations, as a vital area for such cooperative efforts.

In April 1993, Directors expressed considerable concern regarding the continued weak aggregate performance of the world economy and noted that for many countries projections for output had been sharply revised downward. Directors were particularly concerned about the continuing weakness of economic growth in the industrial countries where a continued reassessment of the impact of asset price deflation and the associated balance sheet adjustments on private spending and lending decisions in many countries, the effects of persistent high real interest rates in Europe and Canada, and heightened uncertainty from the turmoil in European exchange markets had contributed to further downward revisions to growth forecasts.

In North America, there were welcome signs of recovery, but in Europe and Japan economic performance had deteriorated. In fact, several Directors felt that the revised downward growth projections for Europe and Japan might still not take full account of existing recessionary tendencies. It was also of concern that cyclical divergences, growing current account imbalances, and persistently high or rising unemployment were leading to increased pressures for protection.

Trade Issues

The importance of successfully concluding the Uruguay Round of trade negotiations was another recurring theme of the three World Economic Outlook discussions in 1992–93. In April 1993, Directors highlighted the key importance of trade as an engine of growth, which they considered to be essential in the current global economic environment. They emphasized the close linkage between liberal trade and exchange regimes and economic prosperity. They particularly welcomed the significant trade liberalization undertaken by many developing countries, which they considered to have been a key factor in their recent favorable growth performance. They also noted that many of the countries in transition in Central and Eastern Europe had included trade liberalization as an essential element of the process of transformation to market-based economies. Some Directors, noting the rise of regional trade arrangements, were of the view that these could contribute to raising the economic welfare of their member countries to the extent that they were accompanied by multilateral reductions in trade barriers.

Directors were concerned that the significant benefits of free trade now seemed threatened and emphasized the urgency of successfully concluding the long-delayed Uruguay Round. The continued failure to complete the Round was not only depriving the world of the benefits of growing trade but had also been accompanied by a marked increase in tensions between countries over trade issues, which could seriously harm the world economy.

Directors noted the recent proliferation of bilateral and managed trade arrangements and stressed the risk that such arrangements could severely limit the access to global markets of developing countries and countries in transition. They urged all countries to resist inward-looking policies, as these would be highly detrimental to world prosperity in both the short and the long run. In these circumstances, Directors observed that failure to complete the Round would not merely produce a standstill, but be a step backward. Directors asked the Interim Committee strongly to emphasize the immediate and urgent need for a rapid conclusion of the Round.

Industrial Country Policies

At the April 1993 discussion, Directors generally agreed that the industrial countries needed to take effective measures to strengthen growth and to diminish financial market and trade tensions, while preserving progress in reducing inflation. There was opportunity for implementing a serious program of medium-term fiscal consolidation in the United States, while the situation in Europe and Japan called for measures to contain recessionary elements and to promote recovery.

The progress made in moderating inflationary pressures in a number of industrial countries was attributed in part to tight monetary policies and to increased policy credibility. A number of countries had been able to lower interest rates without raising concerns of renewed inflation, which was seen as a critical benefit of a strong commitment to monetary discipline. Such reduction would be an essential contribution to stronger growth. The moderation of inflationary pressures, the indications of a slowdown in monetary growth, and the pronounced weakening of the economy were seen to allow Germany to take a lead in this process.

These developments should ensure a durable reduction of inflation in Germany and would allow a marked easing of monetary conditions that most Directors felt would be fully consistent with both domestic objectives and the interests of the world economy without impairing the credibility of the monetary authorities' commitment to bring down inflation to very low levels. There was general agreement that the current monetary policy in the United States had been appropriate in supporting the recovery.

In December 1992, Directors observed that the crisis in the ERM had shaken confidence. Most Directors felt that the main underlying cause of the tensions was the lack of convergence of inflation rates and of budgetary positions, which had led to growing divergences in economic fundamentals, including relative competitive positions. An additional critical factor was the cyclical divergence between Germany, where a tight stance of monetary policy was needed to resist inflation pressures from the expansionary fiscal conditions associated with unification, and most other European countries, where economic conditions were generally weak, and high interest rates, necessary in the context of the ERM during this period, appeared to be inappropriate from a domestic point of view.

Directors agreed at that time that initiatives on a number of fronts would be needed to restore confidence and to reduce exchange rate tensions and prevent their re-emergence. Greater convergence in inflation and budgetary performance, as envisaged in the Maastricht Treaty, was a fundamental requirement. While the ERM constraint was seen to be an important element in countries' convergence strategy, some Directors noted that until greater convergence was achieved, realignment might be required from time to time, while others emphasized the benefits of the discipline imposed by a credible commitment to stable exchange rates. Greater coordination of fiscal and monetary policies would also be essential to ease strains on the system.

When the Board returned to the subject in April 1993, several Directors observed that while strains had eased in the EMS, tensions among some currencies were still visible—even if they were declining—in the large premiums on interest rates compared with those in Germany. During May, the peseta and the escudo were devalued, but tensions and premiums diminished or disappeared for key currencies in the ERM. Directors noted that price increases had remained moderate in both the United Kingdom and Italy after the suspension of their currencies from the ERM.

Directors observed that these developments demonstrated the crucial importance of strengthening monetary policy cooperation across Europe. Several Directors encouraged the staff to continue its work on assessing whether and how national indicators of monetary conditions, activity, and inflation might be complemented with ERM-wide indicators. Directors also encouraged the authorities in all countries to take note of the policy lessons from the asset price inflation cycle since the late 1980s. The effect of asset market developments on the real economy had been costly, and in hindsight both macroeconomic and supervisory policies had contributed to these developments. Enhanced oversight and due attention to asset price movements in the implementation of monetary policy were seen as essential to avert such problems in the future.

The Board unanimously called for reinvigorated fiscal consolidation in many industrial countries, particularly in the United States, Canada, Germany, Italy, and the United Kingdom, as well as in several smaller industrial countries, as part of their medium-term strategy. Directors emphasized that inadequate fiscal consolidation had constituted an important failure in implementing a key element of the medium-term strategy thus far and had represented a binding constraint on policy during the economic downturn in 1992–93. The persistence of large structural budget deficits was also seen as a critical issue, given the need to alleviate the potential shortage of world saving over the medium term, to reduce the high level of real interest rates, and to permit higher rates of investment and increased job creation.

Welcoming the efforts of the U.S. administration to confront the problem of the deficit and to strengthen saving and investment, Directors viewed the U.S. economic plan of February 1993 as representing an important step in this direction. Nevertheless, many Directors noted that, even with full enactment and implementation of the fiscal package, the structural federal fiscal deficit in 1998 would be above 3 percent of GDP—that is, at the same level as in the late 1980s. Given also the likely costs of the forthcoming health care reform package, many Directors saw a need for further action to ensure an adequate degree of fiscal consolidation over the medium term. Most Directors felt that the natural forces of recovery were taking hold in the United States and that the fiscal stimulus was consequently less necessary than it might have seemed earlier.

The Board emphasized that further progress toward fiscal consolidation in Germany, especially through cuts in expenditures and subsidies, would contribute to the reduction in macroeconomic imbalances and further facilitate the needed reduction in interest rates. In the United Kingdom and Italy, reduction of the large public sector deficits was clearly needed. In France, despite a relatively strong fiscal performance over the last years, the subsequent deterioration in the underlying fiscal position also pointed to the need for consolidation over the medium term. In contrast, in Japan, given the risk of a prolonged recession and the less-than-expected impact of the August 1992 package, it would be necessary to maintain an adequate level of fiscal stimulus in the near term. (The associated supplementary budget passed the Diet in December 1992 and its impact only became apparent in the beginning of 1993.) Consequently, Directors welcomed the measures to stimulate the economy announced by the Japanese authorities in April 1993 and looked forward to an early staff analysis of their impact. They noted positively that Japan's enviable fiscal record allowed it to take such action without jeopardizing the credibility of the authorities' medium-term fiscal objectives.

Reverting to a theme touched on in the earlier discussions on the world economic outlook, Directors commented that both cyclical factors and the lack of adequate structural reform of labor markets had led to the high levels of unemployment in a number of industrial countries, particularly in Europe. Rigidities in labor markets in Europe had kept unemployment high and had contributed to subdued consumer confidence, demands for industrial subsidies, and pressures on government trade policies. Directors were concerned that the cyclical increases in unemployment might not be fully reversed as economies strengthen. They stressed that there should be less emphasis on income maintenance policies and more on incentives for greater labor mobility, better training and retraining programs, and more flexible wage structures.

Developing Country Policies

In April 1993, Directors observed that many developing countries continued to show resilience to the weakness of activity in industrial countries. This relative strength reflected in large part the sustained stabilization and reform efforts undertaken by these countries, which had been supported by capital inflows, lower international interest rates, and debt-restructuring agreements.

In their review in September 1992, Directors commended the progress made in liberalizing financial markets in many developing countries, which together with an improved regulatory framework had helped to mobilize saving and raise efficiency. Some Directors noted that the improved economic performance in some developing countries had been associated with substantial capital inflows and a reversal of capital flight. These increased flows evidenced improved confidence in, and prospects for, economic performance in these countries. Notwithstanding the positive effects of increased capital flows, in some cases these would require policy adjustments to prevent overheating.

In April 1993, several Directors again observed that in some of the successfully adjusting developing countries, especially in Asia and the Western Hemisphere, capital inflows had contributed to growing signs of overheating. In these countries, fiscal policy might need to be tightened to make room for higher investment, and tighter monetary policies may be warranted to contain inflationary pressures and achieve sustainable growth. Some appreciation of the exchange rate might also be appropriate in certain cases.

Discussing developing country policies in September 1992, Directors also observed that budget imbalances had been reduced in many developing countries and stressed the importance of further consolidation, especially by reducing unproductive outlays in such areas as military expenditures and subsidies, a prescription that was considered to be valid for a number of industrial countries as well. Directors welcomed the dismantling or reduction of trade barriers by many developing countries, particularly in Latin America. Another positive development was the improvement in the debt situation of many developing countries, including progress toward bank debt restructuring. Some debtor countries had been able to reenter private capital markets.

Despite many promising developments, Directors noted in April 1993, divergences in growth among developing countries had tended to widen in recent years. Moreover, many countries had been unable to register any meaningful improvement in economic conditions. The continued weak performance of many countries in Africa was of particular concern. High debt and debt-service ratios continued to impede growth. If prospects for these countries were to improve, policy reforms would have to be supported by adequate financial assistance, including debt relief and concessional assistance as appropriate from the ESAF or its successor facility. In December 1992, some Directors had cautioned that the weak performance of the industrial countries would eventually take its toll on the developing countries, despite the continuing implementation of growth-promoting policy reforms.

Referring to a staff analysis, Directors noted in April 1993 that the stronger performers among the developing countries shared certain characteristics, such as markedly higher savings rates, greater investment in physical as well as human capital, higher efficiency of investment, and stronger overall growth in productivity. These characteristics reflected fundamental reforms that had led to more stable and sustainable economic conditions. In addition, these countries had undertaken reforms to reduce or eliminate structural distortions, particularly in the trade and financial sectors. However, given recent experiences in industrial countries, Directors cautioned that financial liberalization should be accompanied by adequate supervisory mechanisms.

Policies of Economies in Transition

In their discussions in April 1993, Directors were encouraged by the substantial progress made so far by a number of countries in Central and Eastern Europe in their transition to a market-based economy. It was apparent that the stabilization and structural reform efforts undertaken by these countries were beginning to bear fruit. In several of these countries, privatization was well under way, and important fiscal reforms, such as changes to tax systems and the extension of social safety nets, were being introduced. The improved macroeconomic stability had been sustained by broadly appropriate monetary and fiscal policies and, in some countries, output was beginning to rise again. Nevertheless, there was a need to maintain the pace of market-oriented reforms. Although a great deal of progress had been made in privatization and the establishment of property rights, much of the productive capacity, especially the largest enterprises, continued to remain in state hands. Therefore, there was an urgent need at least to complete the full commercialization of these enterprises.

The immediate outlook in most states of the former Soviet Union was, however, significantly bleaker than in Central and Eastern Europe, and output was likely to fall further in the short term. Of particular concern were inflation in a number of states and the closely related problems of excessive credit creation by the central bank, large government deficits, and subsidies to loss-making state enterprises. Directors were also worried that inadequate stabilization efforts threatened to lead to intensification of hyperinflation tendencies, which could derail the reform process.

The structural reforms already undertaken by the states of the former Soviet Union included efforts to begin the privatization process, to reform financial systems, and to establish an appropriate legal framework. Progress in these areas, however, had been uneven from country to country. Directors noted that structural reform and macroeconomic stability were closely linked and mutually reinforcing and emphasized that further progress in structural reform, supported by macroeconomic stabilization, was essential if output and standards of living were to begin to rise again.

International cooperation was seen by the Board as vital for sustaining the momentum for reform in the economies in transition, especially in the states of the former Soviet Union, where monetary, financial, and trade relations need a new basis. In this respect, both financial and technical assistance from governments and international organizations would be crucial, including assistance from the Fund's new systemic transformation facility (STF). Trade and direct investment by the private sector would be equally important. Further reforms in the countries in transition were needed to promote such private sector activity, but industrial countries must also liberalize access to their own markets.

At their September 1992 review, many Directors stressed the need for comprehensive and mutual reinforcement of macroeconomic and structural policies and institution building. They emphasized that the pace of macroeconomic stabilization did not need to be made more gradual, in view of a slow pace of systemic reform, but, on the contrary, structural and systemic transformation needed to be accelerated to allow for a more rapid and sustainable recovery of growth. Referring to earlier experiences, several Directors noted that such a strategy could allow for well-targeted and transitory schemes to support the adaptation of viable enterprises to market conditions.

Surveillance

Developments over the past year in the world economy, as well as in the international monetary system, have had important consequences for the Fund's membership and the formulation of Fund policy. It has been a time of almost unprecedented changes in the international economy, which together constitute the most significant set of developments to have faced the Fund in recent years.

Foremost among these is the enlarged membership of the Fund, making it a near-universal institution. Other developments that have affected the work of the Fund include the number of members that are undergoing the difficult transition to market-oriented economies, including the states of the former Soviet Union; the record number of countries that are being assisted by the Fund in various ways with policy advice, technical assistance, and financial assistance; the number of countries that have taken steps to remove restrictions on payments and transfers for current international transactions and to open up their economies; and the major efforts in regional integration that are under way, such as economic and monetary union in the EC and other regional trade agreements (see section on Regional Trade Arrangements above).

Collectively these events have created far-reaching challenges and opportunities for the Fund in its role of overseeing the functioning of the international monetary system. In these circumstances, the Fund's role has continued to evolve to enable it to respond in a constructive manner to the needs of the membership.

As the central institution in the international monetary system, the Fund provides a permanent forum for members to examine the economic policies of individual countries, as well as global economic developments. The Articles of Agreement provide that the Fund shall exercise "firm surveillance over the exchange rate policies of members" and adopt "specific principles for the guidance of all members with respect to those policies." Surveillance involves analyzing all aspects of a country's macroeconomic and related structural policies since these policies underpin a country's exchange rate policy. The purpose of surveillance is twofold: to evaluate the appropriateness of a country's existing policies and at the same time to encourage the country to adopt new policies that enhance the smooth functioning of the international monetary system. Thus, Fund surveillance integrates the bilateral aspects of surveillance, that is, analyzing the policies of individual countries, with multilateral surveillance, that is, examining the consequences of these policies for the operation of the global system as a whole.

The Fund implements surveillance through a variety of channels. The two principal means are, in a global context, the World Economic Outlook exercise and the consultations carried out with individual member countries, which are described later in this section. These are supported by regular monitoring of developments in exchange and financial markets. Apart from these reviews carried out by the Board, the Managing Director may participate in the deliberations of the Group of Seven major industrial countries. He addresses policies within and among these countries and also calls attention to the interaction of these countries' policies internationally. This, in turn, helps support the efforts of the national authorities of the major industrial countries to consider the global implications of their domestic policies.

Biennial Review of Surveillance

The principles and procedures of Fund surveillance are described in a document "Surveillance Over Exchange Rate Policies," which was approved by the Board in 1977 (see *Annual Report, 1977,* pages 107–109). This document establishes principles both for the conduct of members' exchange rate policies and for the Fund's surveillance over exchange rate policies. Members are enjoined to avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members, to intervene in the exchange market if necessary to counter disorderly conditions, and to take into account in their intervention policies the interests of other members.

The principles governing the Fund's responsibilities state that surveillance of exchange rate policies shall be adapted to the needs of international adjustment as they develop and that the Fund's appraisal of a member's exchange rate policies shall be made within the framework of a comprehensive analysis of the general economic situation and the member's economic policy strategy. The document also lists the types of developments that might indicate the need for discussion with a member. These include protracted large-scale intervention in one direction in the exchange market; an unsustainable level of official or quasi-official borrowing or excessive and prolonged short-term official or quasi-official lending for balance of payments purposes; and the introduction, substantial intensification, or prolonged maintenance for balance of payments purposes of restrictions on, or incentives for, current

Box 3

Board of Governors, Executive Board, Interim Committee, and Development Committee

The *Board of Governors*, the highest decision-making organ in the Fund, consists of one governor and one alternate governor appointed by each member country. The governor is chosen by the member and is usually the minister of finance or the governor of the central bank. All powers of the Fund are vested in the Board of Governors. The Board of Governors may delegate to the Executive Board all except certain reserved powers. The Board of Governors normally meets once a year.

The *Executive Board* (the Board) is the Fund's permanent decision-making organ, currently composed of 24 Directors appointed or elected by member countries or by groups of countries. Chaired by the Managing Director, the Board usually meets several days a week to conduct the day-to-day business of the Fund. Decisions by the Board are based on papers prepared by Fund management and staff. In 1992/93, the Board spent more than half of its time on member country matters (Article IV consultations and reviews and approvals of arrangements) and most of its remaining time on policy issues (such as surveillance and the world economic outlook, developments in international capital markets, issues related to Fund facilities and program design, and international liquidity and the SDR mechanism).

The *Interim Committee* of the Board of Governors on the International Monetary System is an advisory body made up of 24 Fund Governors, ministers, or other officials of comparable rank, representing the same constituencies as in the Fund's Executive Board. The Interim Committee normally meets twice a year, in April or May, and at the time of the Annual Meeting of the Board of Governors in September or October. It advises and reports to the Board of Governors on issues regarding the management and adaptation of the international monetary system, including sudden disturbances that might threaten the international monetary system, and on proposals to amend the Articles of Agreement.

The *Development Committee* (the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries) is composed of 24 members—finance ministers or other officials of comparable rank—and generally meets in conjunction with the Interim Committee. It advises and reports to the Boards of Governors of the Bank and Fund on all aspects of the transfer of real resources to developing countries.

transactions or payments; or the introduction or substantial modification for balance of payments purposes of restrictions on, or incentives for, capital flows.

The Board examines the principles and procedures of surveillance every two years to see if any modifications are needed in light of changing economic circumstances. The Board conducted the most recent review in early 1993, taking into account developments—both in the performance of the world economy and in the evolution of the international monetary system—since the last review in 1991 (*Annual Report, 1991*, pages 13–15). At the 1993 review, a number of Directors commented on the significance for the Fund's conduct of its surveillance responsibilities of developments both in the major industrial countries and in developing countries, the further evolution of regional groupings, and the membership of many former centrally planned economies.

Directors agreed that while the principles of surveillance remained broadly appropriate, there was a need to strengthen further the surveillance process. This would help the Fund to fulfill its role in promoting mutually consistent economic policies and encouraging national authorities, especially in the industrial countries, to take proper account of the views of the international community. Directors, therefore, agreed on several steps to adapt the existing procedures for implementing surveillance in order to make surveillance more continuous, flexible, and relevant (see below).

In its declaration issued on April 30, 1993, the Interim Committee endorsed the steps agreed by the Board to strengthen surveillance and agreed to strengthen its collaboration with the Fund as the central international monetary institution.

Analytical Issues in Surveillance

At the review in early 1993, Directors, in noting the unprecedented changes in the international economic environment that challenged the Fund in its oversight role of the international monetary system, addressed a number of analytical issues that were at the core of the Fund's ability to carry out its surveillance responsibilities in an effective and meaningful manner.

The Board's recognition of the need to strengthen surveillance had become more pressing as a result of tensions—both actual and potential—in the world economy and in the exchange rate system. Some of these tensions stem from systemic developments. Others have arisen because of divergences in macroeconomic policies and cyclical conditions across different member countries.

The design and implementation of members' economic policies and the international repercussions of those policies have an important bearing on the stability of the exchange rate system. This is particularly true for the major industrial countries, since their policies have the largest spillover effects on the performance of the world economy and the stability of the international monetary system. Thus, in considering ways of enhancing the effectiveness of surveillance, both recent systemic developments in the world economy and developments in economic policies and performance of members, particularly those of the largest economies, have to be taken into account.

Over the past several decades, the share of North America and Europe in global output and trade has declined, while that of Asia and the Pacific region has risen sharply. In the same period, the currencies of the three major industrial countries have all taken on important roles. Because of these trends in economic size and the roles played by the key currencies and because capital markets have become more and more integrated, the potential for monetary instability has increased in the event that the economic policies and performance of the major industrial countries diverge significantly.

As Directors observed, the substantial growth and internationalization of private capital markets had made the international monetary system more vulnerable to macroeconomic imbalances in the industrial countries and to any inconsistencies that might be allowed to develop between exchange rates and macroeconomic fundamentals. They also agreed that efforts to achieve greater stability in the exchange rate system could not be separated from efforts to implement economic policies that were conducive to stable and convergent domestic macroeconomic conditions.

The movement toward greater regional and monetary integration among certain groups of countries has continued. The most notable is the Maastricht Treaty in December 1991 among the EC countries. Other moves toward economic integration include the Free Trade Agreement between the United States and Canada, NAFTA, and longer-run proposals to extend free trade throughout the hemisphere. Greater integration has also been suggested elsewhere, as in the context of the West African Monetary Union (WAMU).

With regard to the transition to EMU, economic convergence among the members of the ERM did not proceed sufficiently rapidly to avoid the outbreak of exchange market turbulence in September 1992. This turbulence, as well as the macroeconomic imbalances that led to it, raised important issues for Fund surveillance. Several Directors commented on the limited role of the Fund during the crisis in currency markets in Europe. They stressed that the exchange market pressures and the macroeconomic imbalances that had led to them were of considerable concern to the international community. Directors felt that the international community needed assurance that the wider international implications of regional policy decisions were adequately taken into account in the policymaking process. Directors added that this demonstrated the need for Fund surveillance to be carried out in a more timely and effective manner. Industrial countries, in particular, had a responsibility for and an interest in making greater efforts to direct their economic and financial policies at fostering sustained economic growth with reasonable price stability—not only for domestic reasons but also to avoid generating adverse spillover effects on other countries and to prevent a recurrence of the tensions that had led to the exchange market turbulence.

The reform efforts in Central and Eastern Europe and the states of the former Soviet Union have a number of implications for Fund surveillance. The increase in Fund membership and the associated demand for policy advice and technical assistance implies a substantial increase in the resources that the Fund needs to fulfill its surveillance responsibilities. Further, to transform centrally planned economies into market economies requires extensive structural changes, which call for closer consultation and coordination among the Fund, the World Bank, and other institutions involved in the transformation process. Finally, because these countries earlier had close regional ties, Fund surveillance must address the issues of exchange rate practices and macroeconomic policies in a regional context, as well as in the context of integrating these countries into the world economy.

Enhancing the Effectiveness of Surveillance

As mentioned above, during their 1993 review, Directors agreed on a number of measures to enhance the effectiveness of surveillance. They emphasized, however, that no set of surveillance guidelines and procedures could be fully successful unless all members were prepared to give due consideration to the views of the international community in formulating and implementing their economic policies. Several Directors stressed that the quality and relevance of analysis by Fund staff would be most important for the effectiveness of the Fund's surveillance role. The quality depended not only on the cogency of the analysis but also on the soundness of the underlying macroeconomic data bases, and on following international standards in statistical compilation. Directors emphasized that surveillance could be fully effective only if members provided the basic data necessary to analyze in a comprehensive manner the economic policies and developments relevant to their macroeconomic performance. Therefore, the staff was also asked to provide frank assessments where weaknesses in data made policy analysis and advice difficult.

Directors hoped that all members would cooperate in following the improved surveillance procedures so that Fund surveillance would be more effective and evenhanded. The Fund management would inform Directors of the experience with the new procedures by January 1995, at the time of the next surveillance review.

Continuity of Surveillance

Directors agreed that a greater continuity of surveillance by the Board, especially of systemic and regional issues, should be a principal means of enhancing surveillance. Therefore, they supported the proposal to broaden the scope of the world economic and market development sessions through the coverage of a wide range of country and systemic matters. This would also help better to integrate these sessions into the other ongoing work of the Fund, such as the World Economic Outlook exercise and Article IV consultations with individual members.

The sessions would continue to be confidential, informal, and focused and could help to identify emerging trends and tensions in members' economies, in general, and on the exchange markets, in particular. They would provide the Board with an opportunity to offer advice on policy matters and to suggest further contacts with national authorities or country groupings when judged appropriate. In addition, the sessions would provide a means of bringing significant country matters to the attention of the Board on a timely basis, filling an important gap in the timetable between regular consultations and World Economic Outlook discussions.

Directors also supported proposals to improve surveillance through greater but selective use of informal follow-up contacts on substantive issues subsequent to Article IV consultations. These would be based on communications from the Managing Director highlighting particular issues and, as appropriate, would invite a response from the member. Further discussions with senior staff or management could follow, including visits to the member country. There would normally be no written report to the Board, but Directors considered that an oral report on the outcome of the follow-up discussion might be appropriate. Several Directors hoped that the follow-up contacts would strengthen the policy dialogue between the Fund and its members.

Directors agreed to modify surveillance procedures to facilitate "ad hoc" consultations. The Managing Director would initiate a discussion that could lead to an ad hoc consultation whenever he considered that important economic and financial developments were likely to affect a member's exchange rate policies or the behavior of the exchange rate of the member's currency. In some instances, a brief staff report based on discussions with the authorities could be issued to the Board. Such reports could be discussed at the request of an Executive Director or upon the decision of the Managing Director.

Many Directors thought that there was a need for the Fund to be more closely involved in deliberations that potentially affected the functioning of the international monetary system. They stressed that efforts should be made to ensure a greater role for the Managing Director or other Fund officials in key external meetings among members where the direction of their economic policies and critical policy questions affecting the international monetary system were being discussed. In this context, Directors stressed the importance of ensuring that in all bilateral discussions with national authorities, particularly during Article IV consultations, a meaningful dialogue at an appropriately senior policymaking level takes place.

Enhanced Surveillance

To assist a wider range of members in the formulation and monitoring of their economic policies, Directors agreed during their 1993 review of surveillance to revise the enhanced surveillance procedures.[2] Under these procedures, established in 1985 to facilitate some members' multiyear rescheduling arrangements with commercial banks, there is a closer relationship between the Fund and the member than is customary in periodic Article IV consultations, but less close than in cases of Fund arrangements.

Under the revised enhanced surveillance procedures, the authorities would request Fund monitoring of their macroeconomic and structural policies in the context of their ongoing adjustment efforts. The Board would respond to the member's request on a case-by-case basis, taking into account, among other things, a member's track record and the strength of the economic program formulated, but it would not involve Board approval or endorsement of the program as such. Monitoring would be expected to include a mid-term review of progress under the program irrespective of the actual performance; failing which, Directors would be informed of the absence of the review and the reasons. Both the Article IV reports (appropriately modified) and the half-yearly reports to the Board could be made available to creditors. Application of the procedures would be approved by the Board until the next scheduled Article IV consultation with the country or for a 12-month period. The Board would review these procedures within two years.

Directors agreed that the revised procedures could apply to the post-ESAF monitoring arrangements now in place. They envisaged monitoring by the Fund under enhanced surveillance procedures in several kinds of situations. For instance, the procedures could be used in cases in which members asked for monitoring to help secure external financial support, especially those with good records of economic performance that were no longer using Fund resources. Enhanced surveillance procedures could also be used in some cases in which there was no direct link to efforts at mobilizing external support, but where the member with a strong track record of performance requested the procedures to boost domestic and external confidence in its continuing efforts to pursue adjustment policies.

Article IV Consultation Procedures

In evaluating the experience with the temporary shift in consultation cycles, Directors expressed concern that gaps might have emerged in surveillance that could have had an adverse effect on the quality and effectiveness of the Fund's policy advice. Similarly, they were concerned that there had been undue delays in holding consultations with certain members. Some of these were countries with Fund arrangements, while others were cases in which there had been a change in government or some other significant developments had occurred. Directors, therefore, reexamined the current Article IV consultation cycles and particularly the bicyclic procedure, with a view to increasing the continuity and flexibility of surveillance.

The bicyclic procedure is a modified consultation procedure that involves a Board discussion every second year and a simplified interim procedure in the intervening year. It was introduced in 1987 to reduce workload strains on the Board and staff while still ensuring effective surveillance. It had been adopted initially for 23 countries and was eventually applied to a total of 31 countries. Experience with the bicyclic procedure, however, showed that it did not always fulfill the need for continuity and evenhandedness of the Fund's surveillance. Moreover, it appeared not to have resulted in the significant saving of Board and staff time that had been envisaged. Therefore, in April 1993, the Board endorsed the Managing Director's proposal to eliminate the bicyclic procedure. As a result, except for a limited number of countries on 18- or 24-month consultation cycles, all consultation will be under the standard 12-month cycle and the consultation reports discussed annually by the Board.

[2] Enhanced surveillance is not performed under Article IV of the Fund's Articles; it is a service provided at the request of members under Article V, Section 2.

Other Measures

During the biennial review, Directors noted that there was a need for more effective and timely surveillance by the Fund of regional economic developments (see Box 4). To the extent that regional institutions had assumed policymaking responsibilities in areas of concern to the Fund that were previously the sole prerogative of individual members. Directors took the view that it was necessary to have contacts with such institutions. The Fund is applying this approach to a number of regions, for instance to the EC.

Directors urged members that were availing themselves of the transitional arrangements under Article XIV to accept the obligations of Article VIII (see Box 5). Among other steps to improve the effectiveness of surveillance, Directors welcomed the progress made in cutting back the length of staff reports and continuing efforts at greater selectivity and better focusing of the reports.

Article IV Consultations

Fund staff meet regularly with the authorities of member countries to gather information, review economic developments, and discuss economic policies. These reviews form the basis of the staff reports that are discussed by the Board. Consultations between Fund staff and member countries take place under Article IV of the Fund's Articles and, as mentioned

Box 4

Economic and Monetary Union in Europe

Economic and monetary union (EMU) in the EC has been a goal for some time. During the 1980s the reduced exchange rate fluctuations achieved throughout the ERM of the European Monetary System (EMS) provided an important step in this direction. Subsequently, in the Maastricht Treaty of December 1991 (*Annual Report, 1992*, pages 46–47) a consensus emerged among EC governments on the structure of such a union and how to get there. However, the period of stability in the ERM that had existed since the last realignment in January 1987 came to an end in September 1992. The Board, in an informal session in December 1992, examined a wide range of issues related to EMU, including the lessons that could be learned for the monetary union from the difficulties that arose in the system and the implications for Fund surveillance.

Most Directors considered that the convergence criteria set out in the Maastricht Treaty provided a useful framework in which to encourage financial discipline and economic convergence among EC countries. Nonetheless, Directors generally shared the view that the exchange and financial market turmoil in the late summer and early fall of 1992 had its roots in the divergence of economic policies, the growing difficulties of some ERM members in maintaining competitiveness, and differences in the cyclical positions of countries within Europe.

It was stressed that moving to EMU required strong fiscal and structural measures in many countries to reduce fiscal deficits and other impediments to monetary union. However, there were divergent views on many issues related to the current form of the ERM and the transition to EMU. Some Directors observed that the recent events called for an acceleration of the Maastricht timetable and the need to stick to the rules agreed to at Maastricht. The full benefits of a system of stable nominal exchange rates, in the face of large capital flows, could be achieved only through full monetary union. Noting the difficulty of maintaining fixed exchange rates during the transition to full monetary union, some Directors stressed that countries meeting the convergence criteria should be encouraged to move to EMU without delay.

Other Directors, however, noted that the recent events reflected structural weaknesses in the operation of the ERM and the convergence process, which raised fundamental questions about the transition process. These Directors maintained that the underlying problems were heightened by the inflexibility of the ERM and the rigid convergence timetable set out in the Maastricht Treaty. Timely realignments within existing ERM bands might possibly increase the credibility of the convergence process, although they recognized there was the inherent risk of adding to inflationary pressures and losing the disciplinary effect of the ERM. Some Directors also pointed out that the complete absence of convergence criteria for real variables such as unemployment and growth made the current Maastricht framework an insufficient basis on which to enter into the final stage of an economic union.

The view was widely shared on the Board that nominal exchange rate stability entailed a degree of interest rate volatility (at least when expectations are not stabilized) in the presence of almost complete capital mobility. The importance of being prepared to adjust interest rates was stressed; sterilized intervention was not a substitute for interest rate action. If interest rates were focused on domestic conditions, coordinated intervention under the terms of the Basle and Nyborg Accords would not be effective. However, it was pointed out that markets tended to react negatively to interest rate increases that were unwarranted by domestic conditions, as was the case in the United Kingdom.

While some Directors thought that a move toward granting independence to the central banks of member states along the lines stated in the Maastricht Treaty would help the monetary authorities in their task of pursuing the objective of monetary stability, others commented that the emphasis on the formal independence of a European central bank was overdone, as independence was not always synonymous with best performance; rather, it was more important to gain a political consensus on achieving price stability.

In a subsequent and related meeting in April 1993, the Executive Board considered the issue of the Fund's surveillance of regional developments. Directors agreed that there was a need for more timely and effective surveillance of regional developments, for instance, those occurring in arrangements between the currencies of the Fund's EC members. Issues raised by the close cooperation among EMS members, particularly in the exchange and monetary area, should be a subject of the Fund's regional surveillance, because EMS arrangements had an impact on the macroeconomic stance of each member and had systemic implications.

As the EC Commission plays an important role in the preparation of EC discussions of macroeconomic policies, in general, and of convergence programs, trade and competition policies, in particular, Directors agreed that informal contacts between the Fund staff and the relevant EC bodies would need to continue and likely be intensified since they would be useful for the World Economic Outlook exercise and the Fund's bilateral consultations. Nonetheless, Directors emphasized that surveillance over exchange rate policies should continue to be rooted in bilateral discussions with the authorities of each country, primarily Article IV consultations.

earlier, are the primary means for the Fund to carry out its surveillance responsibilities bilaterally. A historical overview of indicators relating to Article IV consultations is to be found in Chart 6, and a breakdown of Article IV consultations by category of member countries is displayed in Chart 7. Table 2 lists the Article IV consultations that the Fund concluded during 1992/93.

Article IV consultations provide the Fund with the opportunity to assess the appropriateness of a country's economic policies. Because these consultations are held regularly, they are particularly useful for identifying balance of payments problems promptly and thereby helping a country to take the necessary corrective policy measures at an early stage. The consultations focus on a country's exchange rate policies, within the framework of its macroeconomic and related structural policies, and also examine whether these policies are conducive to achieving reasonable price stability, sustainable external positions, and orderly economic growth.

Industrial Countries

United States

At their meeting in August 1992, the sluggish pace of economic recovery in the United States led Directors to take a cautious view about the extent to which output growth would gain momentum in the latter part of 1992 and early

1993. The main reason for the caution was the continuing fiscal deficit, which was affecting inflationary expectations and long-term interest rates, and thereby dampening confidence and investment.

Many Directors viewed the large fiscal deficit as an important factor behind the weakness of private investment and growth, and the prospect of fiscal deficits continuing over the medium term as the most important impediment to sustained noninflationary growth. Therefore, a medium-term strategy for fiscal consolidation and for raising national saving was seen as vital. Although views on the appropriate long-term fiscal objective and the size of the necessary fiscal adjustment could legitimately differ, Directors agreed that the adjustment would have to be large if the U.S. saving and investment performance was to improve. Directors felt that after the presidential elections there should be an opportunity to establish a consensus on the set of medium-term fiscal measures of expenditure restraint and revenue enhancement that would enable an early start of meaningful adjustment.

Directors agreed that the growth of mandatory spending, which had increased rapidly in recent decades, had to be controlled. The need to reform the health care system was noted in particular. However, given the real demands behind many of the entitlement programs and limited scope for further substantive cuts in discretionary spending, Directors believed that the adoption of revenue-enhancing measures was inescapable. In this regard, the introduction of a broad-based consumption tax and the elimination of certain tax expenditures were viewed as having the important advantage of raising public saving without being damaging to private saving. Some Directors also suggested the adoption of an energy tax.

Directors were in broad agreement that the easing of monetary policy since late 1991 had been appropriate given the sluggishness of the recovery and the progress made in lowering inflation. They generally felt that monetary policy should continue to be guided by the objective of long-term price stability. In this context, Directors observed that the current low level of real short-term interest rates, the uncertainty regarding the actual degree of economic slack, and the apparent downward resistance of inflation expectations meant that there was a risk that inflationary pressures could re-emerge quickly. They stressed the importance of being alert to the need to allow short-term interest rates to

Box 5

Current Account Convertibility

An important purpose of the Fund is to assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions that hamper the growth of world trade. The Articles of Agreement therefore provide that members will refrain, subject to certain exceptions, from imposing restrictions on payments and transfers for current international transactions and from engaging in discriminatory currency arrangements or multiple currency practices.

In the context of the biennial review of the Fund's surveillance policy, Directors emphasized the importance of a greater commitment of members to current account convertibility. In this regard, acceptance by members of the obligations of Article VIII, Sections 2, 3, and 4 of the Fund's Articles is viewed by the international community as an important demonstration of the convertibility of a country's currency. The staff was asked to intensify its efforts to encourage members to accept these obligations.

During 1992/93, seven members—the Republic of the Marshall Islands, The Gambia, Greece, Morocco, San Marino, Switzerland, and Tunisia—accepted the obligations of Article VIII bringing to 77 the number of members that had accepted these obligations as of April 30, 1993 (see Appendix Table II.17).

rise as the economic recovery proceeded.

In commenting on the U.S. external current account, Directors emphasized that a sustained improvement in the external position that did not crowd out domestic investment required the adoption of macroeconomic policies that fostered an increase in national saving. They expressed concern about the weakness of the dollar, which, several Directors felt, had resulted from the considerable gap between interest rates on dollar- and Eurocurrency-denominated assets, as well as uncertainties about monetary policy in the United States and abroad. While some of the immediate pressure on the dollar might have been eased by the coordinated intervention by the major industrial countries in July and August 1992, a continuation of exchange market pressures could constrain the formulation of U.S. monetary policy. Some Directors pointed to the need to take account of the effect on exchange markets when interest rate changes in the United States were being formulated.

Directors observed that structural policies were important for improving the long-term growth prospects of the U.S. economy. They commended the authorities for their efforts to reform the financial sector and urged them to continue efforts on this front. Directors also regarded NAFTA positively, although some were concerned about possible trade

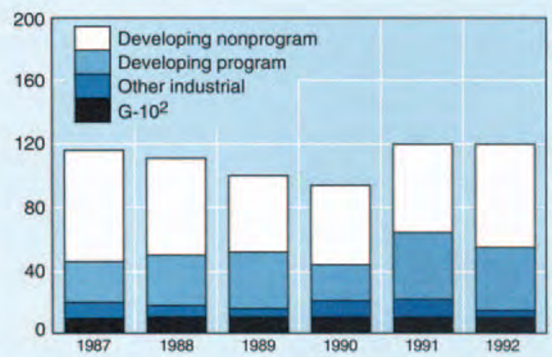
Chart 6

Indicators Related to Article IV Consultations

[1]Article IV consultation missions.
[2]Beginning February 1991, interim consultations were concluded by the Executive Board; 1992 includes premembership reviews with the 15 states of the former Soviet Union.

Chart 7

Article IV Consultations Concluded by the Executive Board[1]
(Number of consultations)



[1]Beginning February 1991, interim consultations were concluded by the Executive Board; 1992 includes premembership reviews with the 15 states of the former Soviet Union.
[2]Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, Switzerland, the United Kingdom, and the United States. Switzerland became a member of the Fund in May 1992 and had not completed a consultation by the end of 1992.

Table 2

Article IV Consultations Concluded in 1992/93

Albania	Aug. 26, 1992	Iran, Islamic Rep. of	July 24, 1992	Philippines	Oct. 7, 1992
Algeria	Mar. 3, 1993	Italy	Jan. 11, 1993	Poland	July 31, 1992
Antigua and Barbuda	May 18, 1992[1]	Japan	July 15, 1992	Romania	May 29, 1992
Armenia	Feb. 17, 1993	Jordan	July 15, 1992	Russia	Apr. 21, 1993
Australia	May 27, 1992[1]	Kazakhstan	Apr. 23, 1993	Rwanda	Sep. 14, 1992
Azerbaijan	Mar. 22, 1993	Kenya	July 17, 1992	Sao Tome and Principe	Jun. 10, 1992
Bahamas, The	July 17, 1992	Korea	Feb. 8, 1993	Senegal	Nov. 30, 1992
Bahrain	July 31, 1992	Kuwait	May 15, 1992	Seychelles	Oct. 7, 1992
Bangladesh	Sep. 14, 1992	Lao People's Dem. Rep.	May 4, 1992	Sierra Leone	Nov. 30, 1992
Barbados	July 10, 1992	Latvia	Apr. 23, 1993	South Africa	Oct. 28, 1992[1]
Belgium	Dec. 30, 1992	Lesotho	July 1, 1992	Spain	Aug. 7, 1992[1]
Benin	Jan. 25, 1993	Lithuania	Apr. 7, 1993	Sri Lanka	Oct. 9, 1992
Bolivia	Sep. 11, 1992	Madagascar	July 22, 1992	St. Lucia	May 29, 1992
Burkina Faso	Mar. 31, 1993	Malawi	Jan. 25, 1993	St. Vincent	Oct. 30, 1992
Burundi	June 1, 1992	Malaysia[1]	July 29, 1992[1]	Sudan	Aug. 3, 1992
Central African Rep.	Oct. 5, 1992	Mali	Apr. 26, 1993	Suriname	June 22, 1992
Canada	Mar. 10, 1993	Malta	Jan. 25, 1993	Swaziland	Apr. 7, 1993[1]
Chile	June 18, 1992[1]	Marshall Islands	Oct. 7, 1992	Sweden	July 8, 1992[1]
China	May 20, 1992	Mauritania	Dec. 9, 1992	Syrian Arab Rep.	Sep. 24, 1992[1]
	Apr. 5, 1993	Mexico	Jan. 25, 1993	Tanzania	Nov. 25, 1992
Colombia	June 1, 1992				
Costa Rica	Apr. 19, 1993	Moldova	Feb. 3, 1993	Thailand	May 13, 1992[1]
Côte d'Ivoire	Jan. 6, 1993	Morocco	Feb. 26, 1993	Togo	May 20, 1992
Djibouti	Feb. 8, 1993	Mozambique	June 10, 1992	Trinidad and Tobago	Sep. 9, 1992
Dominican Rep.	Nov. 20, 1992	Namibia[1]	May 20, 1992	Tunisia	June 29, 1992
Ecuador	Jan. 8, 1993	Netherlands	Mar. 5, 1993	Turkey	Mar. 17, 1993
Egypt	Aug. 26, 1992	Netherlands Antilles	May 29, 1992	United Arab Emirates	Mar. 3, 1993[1]
Equatorial Guinea	Feb. 3, 1993	Nicaragua	Dec. 2, 1992	Uganda	May 15, 1992
Estonia	Apr. 2, 1993	Niger	June 26, 1992	United Kingdom	Feb. 12, 1993
France	Oct. 9, 1992	Nigeria	Mar. 3, 1993	United States	Aug. 31, 1992
Gabon	Mar. 31, 1993	Oman	Mar. 16, 1993	Uruguay	Jan. 8, 1993
Gambia, The	June 19, 1992	Pakistan	Nov. 25, 1992	Venezuela	Dec. 21, 1992
Germany	Nov. 20, 1992	Panama	Oct. 5, 1992	Viet Nam	Jan. 15, 1993
Greece	July 29, 1992	Papua New Guinea	Feb. 17, 1993	Western Samoa	Mar. 24, 1993
Grenada	Jan. 8, 1993	Paraguay	Dec. 23, 1992	Zambia	July 17, 1992
Guatemala	Dec. 18, 1992	Peru	Mar. 17, 1993		
Guinea-Bissau	Oct. 14, 1992				
Guyana	Dec. 21, 1992				
Hong Kong	Feb. 3, 1993				
Iceland	Feb. 26, 1993[1]				
India	Dec. 4, 1992				

[1] Interim consultation.

diversion in certain sectors. In this connection, Directors also commended the U.S. authorities' commitment to seek a successful outcome for the Uruguay Round and emphasized the vital role of U.S. leadership in this area. Some Directors expressed unease about the low level of U.S. official development assistance relative to the size of its economy.

Japan

At its July 1993 meeting to discuss the Japanese Article IV consultation, the Board noted that over the past two years, the Japanese economy had experienced its sharpest downswing since the mid-1970s. The recession was mainly due to the cyclical downturn and the inevitable correction of the factors that had characterized the preceding boom and had contributed to its unsustainable pace. These factors included a sharp run-up in asset prices; a large increase in the stock of capital and consumer durables, reflecting easy financial conditions; and excessive lending by the financial system to the real estate sector. Directors' views on whether the recession had bottomed out differed; while a number of Directors noted increasing signs of recovery, most felt that, despite such signs, the economy had yet to turn the corner fully and that downside risks persisted at this stage of the cycle. The main policy issue was to solidify the momentum of the recovery, while maintaining the country's excellent price performance and pursuing structural reform. This would benefit Japan and the world economy and would constitute an important contribution to the global cooperative effort to bolster confidence and strengthen prospects for a durable noninflationary world expansion.

Directors welcomed the authorities' response to the cyclical downswing, on both the monetary and fiscal fronts, although some Directors believed that earlier and more forceful action would have been warranted. As regards monetary policy, Directors observed that conditions had eased significantly since mid-1991. Although a number of Directors considered that the recent strengthening of the yen and the absence of inflationary pressures called for a further easing of monetary policy, a number of other Directors suggested caution in guiding interest rates down further.

Directors commended the authorities for implementing large economic stimulus packages in both late 1992 and early 1993. They viewed the support to domestic demand provided by these packages as critical to economic recovery, and they commended the authorities' decade-old fiscal consolidation effort, which had provided the room for maneuver during the current downturn.

A number of Directors felt that Japan's fiscal position allowed room for providing additional stimulus—at least in the short run—if economic weakness persisted. In that context, several Directors suggested that the automatic stabilizers should in any case be allowed to work fully. Other Directors were concerned that an additional fiscal stimulus could prove procyclical and might be difficult to reverse. Some Directors thought that further easing, if needed, should be on the monetary side rather than on the fiscal side. Most Directors believed that once the recovery was firmly established, medium-term fiscal consolidation efforts should resume, and in that context, the prospective large pressure on public expenditure arising from the aging of the population was mentioned by a number of Directors. A few other Directors, however, placed less emphasis on the medium-term demographic outlook and advocated instead continued fiscal expansion in the form of greater public investment and/or a reduction in income tax to raise living standards and stimulate consumption.

Directors observed that the current account surplus had widened significantly since 1990. Most Directors took the view that, as the Japanese economy recovered and trade volumes responded to the stronger yen, the current account surplus would again decline. This confirmed their view that policies should focus on sustainable, strong, job-creating growth with low inflation and contribute indirectly to a reduction of the external current surpluses. A falling propensity to save resulting from a rise in the share of the elderly in the population would also contribute to lowering the surplus over time. A number of Directors noted Japan's important contribution to the world pool of savings.

Many Directors observed that an appreciation of the yen over the medium term would be consistent with a cyclical upswing in Japan. However, a number of Directors cautioned that a too rapid further appreciation of the yen could weaken or delay the emerging recovery.

Directors urged Japan to continue its efforts to open up markets. A priority in this regard was the reform of agricultural trade. Directors also stressed the need for further strong measures to reform the distribution system, strengthen competition policy, reduce regulations and make them more transparent, and promote foreign direct investment. Demonstrably open markets would be an important antidote to protectionist pressures. Most Directors expressed concerns about managed trade arrangements and stressed the paramount need for market opening and deregulation in a multilateral framework. A few Directors noted that some recent bilateral initiatives could nevertheless promote market opening. Directors also urged the authorities to help bring the Uruguay Round negotiations to a successful conclusion, and they welcomed Japan's recent proposal of tariff reduction.

Many Directors noted the risks posed by the recent problems in the financial system. They believed that more transparency, quicker action to deal with the problem of nonperforming loans, and greater disclosure of asset quality were needed. Directors also noted continued interest rate liberalization under the recent enactment of the Financial System Reform Act, and they encouraged the authorities to continue with financial sector reform. A few Directors particularly stressed the need to reform the postal saving system and ease market access by foreign financial institutions.

Directors noted the high absolute amount of Japan's official development assistance, particularly in close collaboration with the Fund, and they welcomed the authorities' new five-year foreign assistance plan. Several Directors hoped that Japan would make every effort to raise its level of official development assistance further and, in particular, to achieve the UN target at an early date.

Germany

In their review in November 1992 of the risks and challenges facing the German economy, Directors stressed two issues of importance not only for Germany but also for the world community. These were the imbalance in the mix of economic policies and the unfavorable prospects for the economy over the short run. Immediately after unification the surge in spending had provided a significant demand stimulus, which had benefited both Germany and its trading partners. In the view of most Directors, however, now that demand was declining, the authorities' tight monetary policy and the resulting high short-term interest rates necessary to combat inflation were slowing economic activity in Germany and had negatively affected already weak growth prospects in some European countries. Uncertainties about future economic policies were further exacerbating the slowdown in western Germany. Several Directors noted the danger of the slowdown developing into a recession.

Directors underlined that a more balanced mix of policies in Germany was required to improve prospects for growth and recommended the adoption of policies that would contribute to a renewal of confidence and provide room for short-term interest rates to be reduced. Such policies included reduced borrowing by the public sector, fostering moderate wage rounds, and prompting lower wage increases, and a more realistic pace of wage catch-up in the east.

Directors emphasized that intensified efforts on the fiscal front should play a central role. They welcomed the authorities' medium-term fiscal targets and the emphasis placed on expenditure restraint. They noted, however, that unless there was substantial progress in 1993, in particular with the critically needed cuts in subsidies and transfers and increased expenditure discipline at the lower levels of government in western Germany, the credibility of the fiscal consolidation program would suffer. Further, according to many Directors, if new taxes were to be avoided, the authorities needed at an early stage to make bold spending cuts beyond those included in the 1993 budget.

Directors stressed the importance of early progress in reducing the pace of wage increases in western Germany and agreed that the public sector should set signals in fostering wage restraint. They therefore welcomed the authorities' objective to avoid wage increases in real terms for the next three years in the context of the social pact between industry, employees, and government.

Directors noted that much had been achieved in eastern Germany since unification, particularly in the areas of privatization and the rebuilding of the public and private infrastructure. They encouraged the authorities to complete the privatization of industrial enterprises in eastern Germany by the end of 1993 as planned. However, Directors expressed great concern that the conditions necessary for a self-sustaining growth process in eastern Germany were not yet in place. They also regarded the level of private investment in the east as alarmingly low. Directors emphasized that it was critical to have a pause in the process of wage catch-up with western Germany, and suggested that, in that context, the decentralization of the wage bargaining process at the enterprise level was essential.

Most Directors recognized that the tight monetary stance of the Deutsche Bundesbank had been appropriate given the inflationary pressures that had emerged after unification and the weakening of the fiscal position. However, it had led to high real short-term interest rates on a sustained basis. With continued weakening of economic activity and some moderation in cost pressures, Directors hoped for an early relaxation of monetary conditions but pointed out that this had to be supported by a credible framework for fiscal consolidation and a moderate growth of wages. Some Directors, however, regarded monetary policy in Germany to have been unduly tight over the past year. Further, given the lags in the operation of monetary policy and indications that the economy was facing a period of slow growth or even declining economic activity, they saw risks in delaying a sustained cut in interest rates.

Directors acknowledged the role that monetary targeting had played over the years in keeping inflation low and stated it was critical that the Bundesbank should not appear to be lessening the priority it attached to price stability. Several Directors, however, noted that given the questions surrounding the behavior of monetary aggregates, there appeared to be some grounds for both a lesser emphasis on a broad monetary aggregate, such as M3, as well as reassessing some of the underlying technical criteria on which the target was based.

Directors hoped that Germany would play a leading role in bringing the Uruguay Round to a successful conclusion. They encouraged the authorities to strive for greater access to EC markets of exports from developing countries and countries in transition in Central and Eastern Europe. Directors noted Germany's generous financial assistance for reform in Eastern European countries and pointed out that greater market access would enhance the benefits of this assistance. In this context, they regretted that there would be little increase in aid to developing countries.

Since the time of the Board discussion in November 1992, the Bundesbank has eased interest rate policy markedly, although proceeding step by step so as not to jeopardize confidence in the deutsche mark or risk a setback in the downward movement of long-term interest rates and in the development of exchange rates. Notwithstanding the continuing anti-inflationary stance of monetary policy in Germany, this sizable easing of monetary conditions was made possible by improved price prospects owing to the appreciation of the deutsche mark, the slowing down of economic activity, and progress in other policy areas, especially wage policy in western Germany.

France

Despite an unfavorable external environment, in a number of respects the performance of the French economy continued to be better than that of other major industrial countries, Directors observed in their October 1992 review of the French economy. Commenting on the soundness of the authorities' medium-term approach to disinflation and structural reform, as well as their exchange market stance, Directors remarked that recessionary tendencies had been avoided, the rate of inflation had been reduced, and the trade balance had improved.

Many Directors noted that the rate of economic growth had slowed considerably in 1991 and that the rate of unemployment had increased, reaching 10 percent in mid-1992. Some Directors were concerned that prospects for improved growth and employment in the near term had weakened because of recent adjustments in interest rates and exchange rates and the expected economic slowdown in important trading partners. Although these concerns did not call for a change in economic strategy, Directors encouraged the authorities to remain vigilant on the budgetary front. They also suggested quickening the pace of structural reforms, particularly in the labor market, so that early progress could be made in lowering unemployment.

Directors recognized that cyclical shortfalls in tax revenues had led to the wider budget deficit. While several Directors agreed that the projected deficit, as evidenced by the draft budget for 1993, was not unduly large, others emphasized that the consistent reduction in the deficit had

Box 6

Scope of Article IV Consultations

In response to changes in the domestic and external environment of countries, the scope of surveillance under Article IV consultations has broadened over the years, in terms of both policy content and technical issues. There has been greater emphasis on the appropriateness of a country's exchange rate policies, the medium-term viability of its economic program, its structural reform efforts, and the stance of its trade policy.

Moreover, economic developments as well as policies have been reviewed more explicitly against the background of the conclusions of the preceding consultation, including those relating to an international perspective. In those countries where the poor quality of macroeconomic statistics impairs economic analysis and policy advice, statistical issues have been included in the analysis. Similarly, if appropriate, a member's relations with the World Bank or other multilateral development institutions have been considered, including their assessment of the investment or development programs or other policy issues.

The 281 Article IV consultation reports issued during 1990–June 1992 were surveyed to determine the extent of the coverage of structural, regional, and other topics that may be germane to macroeconomic developments and prospects. Some of the highlights of the survey follow.

The survey found that the coverage of regional and cross-country issues had increased slightly since 1990. Often the treatment was descriptive, for example, based on cross-country comparisons of macroeconomic variables such as price developments, interest rate developments, and the size of government sectors.

Coverage of regional issues was pronounced among the European countries. For instance, economic policies of EC member countries were analyzed in the framework of economic developments in and policies of other EC members. Influences of regional policies on individual members and individual member's policies on the region were also examined.

In other regions, the scope of the coverage has varied. For instance, in some neighboring countries where goods and capital move relatively free across open borders, policy-related issues have been examined. In consultation reports on African countries, various aspects of regional issues have been covered in the context of WAMU, the Central African Monetary Area, and the Common Monetary Agreement. In some reports, the process of regional integration was emphasized: for example, negotiations on the establishment of the NAFTA and proposals for an ASEAN Free Trade Area. In reports on the Central and Eastern European countries, the economic impact of the dissolution of trading arrangements under the former Council for Mutual Economic Assistance (CMEA) has been covered widely.

As appropriate, consultation reports discuss poverty and, more broadly, social issues. Some reports have considered the impact of natural disasters or civil conflicts on the most vulnerable groups. The adverse consequences of structural and fiscal adjustment efforts on the poor, the design of social safety nets, and targeted programs for the poor, such as budgetary allocations for job mobility and retraining programs have been mentioned (see section on Economic Reform and the Poor, below).

In the reports examined, coverage of structural reforms, including privatization, focused on the need to reduce bottlenecks and promote more efficient use of resources. In some reports, intra-industry issues and measures to improve industrial performance were also discussed. Labor market issues were usually described in the context of the impact of labor costs on a member's fiscal or external position.

Much of the discussion on environmental issues has centered around energy policy, particularly for Central and Eastern European countries. Examples include limiting the use of solid fuel, especially coal, and closing down plants in the chemical and energy sectors. Among other environmental concerns, one report discussed coordinated efforts in the Middle East region to restore air and water resources damaged during the 1991 conflict. Problems of land degradation and deforestation because of population pressures have also been examined.

been an essential component of the medium-term economic strategy and the slippages that had occurred in meeting deficit targets should be fully reversed as soon as growth prospects improved.

Several Directors proposed further efforts in privatization, to contain public debt and to improve economic efficiency.

Directors broadly supported the medium-term monetary policy stance of the authorities, which was based on disinflation in the framework of an unchanged franc/deutsche mark exchange rate parity. Directors were encouraged by the downward trend in long-term interest rates, despite unsettled market conditions. The tendency for risk premiums on franc-denominated interest rates to decline could be expected to resume once foreign exchange markets were settled. Directors commended the authorities for successfully defending the franc against speculative pressures in the fall of 1992. Several Directors suggested that increased flexibility in the use of interest rates was desirable in order to strengthen the position of the franc within the narrow band of the ERM.

Directors stressed that the persistently high rates of unemployment had resulted from long-standing labor market rigidities, especially those associated with the minimum wage law, generous unemployment benefits, and the large wedge between gross wage costs and take-home pay. They called for additional market-oriented measures to improve the functioning of the labor market and to strengthen job training programs.

Directors called on France to further liberalize its trade regime and to take a leading role in completing the Uruguay Round. Directors praised France's strong commitment to official development assistance.

United Kingdom

In February 1993, Directors discussed developments in the U.K. economy against the background of the suspension of the pound sterling from the ERM on September 16, 1992, which had fundamentally changed the macroeconomic policy environment. Although the suspension had freed the authorities to lower short-term interest rates to stimulate the economy, it deprived sterling of the nominal anchor provided by the ERM and had temporarily resulted in some weakening in business and consumer confidence.

The main challenge of economic policy in the period ahead was establishing a new policy framework outside the ERM, aimed at enhancing credibility of the price stability objective, while promoting recovery. Directors welcomed the setting of a medium-term inflation target in the bottom half of the 1–4 percent target range. They commented that steady and significant progress in meeting this target would be crucial in enhancing credibility. In that context, most Directors agreed that a prompt start should be made on the fiscal consolidation process.

Directors noted that the latest price indicators showed that inflationary pressures remained low. Further, against the background of the continued domestic economic recession, the emphasis of policy had been put on substantially stimulating the economy. However, Directors agreed that easing of monetary policy had already been substantial, and that the overall stance of policies would need to ensure that the inflation objective was not put at risk as the economic recovery got under way. In that context, Directors noted that wages had continued to rise in real terms, despite the prolonged recession and job losses.

Directors observed that the easing of monetary policy should provide a substantial stimulus to the economy over the next two years, although it would take time for the full effects to work their way through the economy. They suggested that in steering monetary policy by a wide range of indicators, developments in the exchange rate and in wages should be carefully taken into account.

Although Directors welcomed the recent steps taken to increase the transparency of monetary policy implementation, several Directors questioned whether these measures went far enough in the direction of increased central bank independence to reassure economic agents that monetary policy decisions would be insulated from short-run political considerations. Some other Directors, however, did not consider independence of the central bank to be necessary to ensure the correct monetary policies or a good record on inflation.

Directors were concerned about the medium-term prospects for the public finances. While they recognized the impact of the economic cycle on the Public Sector Borrowing Requirement, they noted that the erosion of the tax base and discretionary increases in public spending had also played a role. These developments supported the need to strengthen fiscal consolidation in a way that would not stifle recovery.

Directors observed that the sharp depreciation of sterling after September 1992 should facilitate over time the correction of the underlying external balance, provided the gain in competitiveness was maintained and was backed by early steps to strengthen the fiscal position. Several Directors pointed out the importance of a credible medium-term policy framework and structural reforms to facilitate the external adjustment in the years ahead.

Directors also noted that while there had been significant deceleration in wage inflation, it remained disappointing in relation to the severity of the recession and the rise in unemployment. This still insufficient flexibility in wage rates suggested that the functioning of the labor market needed to be further improved to minimize the cost of attaining the medium-term inflation objective.

Directors commended the United Kingdom's commitment to a liberal trade system and its approach to the Uruguay Round. They also encouraged the United

Kingdom to continue within the EC in its efforts to foster open markets. Several Directors encouraged the United Kingdom to increase its official development assistance.

Italy

Italy has made considerable efforts at tackling the country's severe fiscal imbalances, in the view of the Board. But its problems, which had played a major part in the collapse of confidence in financial markets in the summer of 1992, are deep rooted. Meeting in January 1993, Directors emphasized that more steps should be taken to set public finances on a sustainable path and to establish confidence in the Government's ability to continue the disinflation process. They noted the continued weakness of the lira, even though real interest rates were still high, and the mounting evidence that the economy was slowing down markedly.

While Directors warmly welcomed the authorities' deficit-reduction measures, including structural reforms, they were concerned that in the absence of further fiscal action the public sector deficit would exceed targets both in 1993 and over the medium term. Taking into account the size of the fiscal imbalances and tensions in the financial markets, most Directors remarked that additional measures should have been proposed for 1993. Directors suggested that the authorities should consider contingency measures, focused to the extent possible on expenditure restraint, for 1993, as well as further permanent adjustment measures for 1994 and beyond.

The state plays a prominent role in the Italian economy, and Directors welcomed the authorities' plans for privatization. Progress in privatization would signal the authorities' determination to embark on a new policy strategy and would enhance the credibility and quality of the fiscal adjustment effort. Directors commented that wage restraint, including in the public sector, would also be an important element of the adjustment efforts. Labor market reform was vital, including reform of wage determination so that wages could respond flexibly to market conditions. Directors commended the decision to end the wage indexation system.

Directors noted that the temporary withdrawal of the lira from the ERM had complicated the conduct of monetary and disinflation policy and suggested that the exchange rate should continue to be given a large weight, since it had provided a well-known signal to wage and price setters. Some Directors suggested using a number of indicators in setting monetary policy. There was support for ending monetary financing for the treasury as a means of enhancing the independence of the central bank, but many Directors stressed that for monetary policy to be effectively independent, lasting reductions were needed in the budget deficit and in the high level of the government debt.

It was generally agreed that the restoration of confidence was vital if re-entry into the ERM, which the authorities intended in due course, was to be successful, and the new parity was to be credible and sustainable. In this context, progress in lowering the fiscal deficit, maintaining wage restraint, and disinflation were essential. While some Directors noted that an excessive depreciation would affect the possibility of wage and price moderation, others emphasized that a new exchange rate peg must be fully credible and not regarded as unsustainable or incompatible with domestic objectives.

Directors called on Italy to play its role in efforts to complete the Uruguay Round. They also emphasized the need for providing an adequate amount of development assistance, despite budgetary difficulties.

Canada

Canada's economic growth in 1992 was much lower than expected, Directors noted in their review in March 1993. Domestic demand was weak and employment declined. Inflation dropped significantly and monetary conditions eased steadily until September when turbulence in financial markets put downward pressure on exchange rates and caused short-term interest rates to rise sharply. By the end of the year, the economy was strengthening and stability had returned to financial markets.

Directors observed that while the sluggishness of the economy had been disappointing, the authorities had taken policy actions that laid the basis for sustained economic recovery.

Directors commended the authorities for their efforts to achieve their fiscal goals, despite shortfalls in revenue and increased outlays because of the cyclical slowdown. Although Directors expressed concern about the sizable upward revision of the estimated federal budget deficit for 1992/93, they considered the fiscal measures adopted to be appropriate for trying to contain the deficit while strengthening investor and consumer confidence in the face of continued economic weakness. Directors stressed that further fiscal consolidation would be needed to reach the Government's medium-term goal of fiscal balance, even with strong economic growth over the next several years. They further agreed that fiscal consolidation was needed at provincial as well as federal levels and that the pace of consolidation should be accelerated as the economic expansion gained momentum.

Directors observed that the increase in the external current account deficit had been associated with a sharp fall in the national saving rate, especially because of the operations of the public sector, particularly at the provincial level. While a significant improvement in the external current account would depend on policies to strengthen public sector saving, Directors noted that Canada's competitiveness had improved significantly owing to the effects of increased labor productivity, low inflation, and moderate wage growth.

Directors acknowledged that price stability was the most important contribution that monetary policy could make to economic growth, and commended the authorities for meeting the inflation-reduction targets. The authorities' commitment to price stability had gained in credibility, and this had helped to limit the movement in long-term interest rates during the turbulence in financial markets in the latter part of 1992. This credibility should also enable monetary policy to be eased further without endangering price stability or orderly exchange markets.

Canada has long followed a flexible exchange rate system, which has helped the economy to adjust to external shocks. Directors observed that while stability had returned to exchange markets, the large fiscal and external deficits could cause tensions in financial markets to reemerge. Directors also agreed that since interest rates in Canada had remained well above U.S. rates and Canada's inflation record had been better than that in the United States, the best course for the authorities was to try to improve expectations with continued fiscal consolidation and a monetary policy aimed at price stability.

Directors welcomed the structural reform policies initiated by the authorities, including the introduction of the goods and services tax and comprehensive measures to improve efficiency in the financial sector. They observed that measures such as tightening and narrowing eligibility requirements for unemployment insurance benefits and increased employee retraining should help improve labor market flexibility, and urged the authorities to continue reviewing labor market policies so as to improve market flexibility further.

There was general agreement that continued implementation of the Free Trade Agreement between Canada and the United States and ratification of NAFTA would improve Canada's efficiency in the long run. Directors also emphasized the importance of Canada's active support of the Uruguay Round, while noting that Canada needed to liberalize trade further, especially in agriculture, where subsidies should also be reduced. Directors commended Canada's record on development assistance, but regretted that the Government intended to reduce planned official development assistance as part of its fiscal consolidation measures.

Smaller Industrial Countries

As a result of the temporary, across-the-board shift in consultation cycles in 1992, in the period covered by this *Annual Report* consultations were discussed by the Board in the cases of only three of the smaller industrial countries. In addition, interim consultations were concluded without discussion in the cases of Australia, Iceland, Spain, and Sweden. With the elimination of the bicyclic procedure, consultations with all the smaller industrial countries will take place annually.

Board discussion on the smaller industrial countries addressed many of the same general issues raised in the discussions with the major industrial countries. The policy reviews emphasized the need for the pursuit of sound macroeconomic policies, in conjunction with effective structural reforms, to improve overall efficiency and competitiveness.

Belgium

In their review of the Belgian economy in December 1992, Directors commended the authorities for their efforts to reduce the public sector deficit, as well as for their success in cutting inflation further. However, economic activity had weakened in 1992, generally in line with the rest of the EC, and the fiscal deficit in 1992 would once again exceed 6 percent of GNP despite the corrective measures taken by the authorities.

Directors agreed that over the medium term fiscal policy would need to focus on reducing the ratio of debt to GNP. While views differed on the pace of adjustment, Directors generally agreed that fiscal adjustment should place greater emphasis than at present on expenditure reduction—rather than on tax increases—as well as on structural measures.

The further increase in unemployment and the persistence of the rigidities and policy-induced distortions in the labor market were of particular concern to Directors. While they welcomed the measures to improve the functioning of the labor market, they considered that additional reform measures were necessary.

Directors noted the franc's success in avoiding the turbulence that had affected other EMS currencies since September 1992. They also praised the authorities for their financial sector reforms and for their support of the Uruguay Round.

Greece

At their discussion in July 1992, Directors expressed concern at the continued weakness of Greece's economic performance. Despite some improvement in 1991—including a reduction of inflation from the 1990 peak, a return to positive output growth, and a narrowing of the external current account deficit—this fell far short of what was needed.

Directors again emphasized the importance of a front-loaded approach. The dynamics of deficits and debt meant that a vigorous attack on the deficit was needed in 1992–93 to make credible the authorities' longer-term objectives. Directors noted that monetary policy continued to be hampered by the accumulated debt burden and large financing needs of the public sector. Directors welcomed the substantial liberalization of the financial system, and Greece's acceptance of the obligations of Article VIII.

While welcoming the improvement in the external current account and overall balance of payments in 1991, Directors stressed that strong and credible monetary and fiscal restraint would need to be in place—and be supported by a broad array of structural reforms—for current exchange rate policy to contribute to Greece's adjustment strategy.

Netherlands

The performance of the Dutch economy continued to be satisfactory, Directors noted in their review in March 1993. Nevertheless, economic growth had fallen in the past year, and unemployment had begun to rise, after several years of rapid employment gains. In light of this development, Directors commended the authorities for their efforts to restore wage moderation, but underlined the need for supportive labor market and social security reforms. Many Directors welcomed the continued low level of inflation in the Netherlands.

Directors also welcomed the authorities' continued adherence to their medium-term budget deficit reduction path, but emphasized that further deficit reduction should occur without increasing taxation. A lowering of the tax and social premium burden by curtailing social security spending was seen as essential to bolster economic performance and, in particular, to reduce disincentive effects in the labor market.

Directors observed that the authorities' commitment to a hard currency policy (that is, pegging to the currency of a country with an established reputation for price stability) had continued to pay handsome dividends. The position of the guilder within the ERM and its standing in the financial markets had strengthened after the currency turmoil in September 1992, allowing interest rates on guilder-denominated deposits to fall below those on the deutsche mark. At the same time, the modest appreciation of the guilder within the ERM had helped to curb domestic price and cost pressures. Directors attributed these positive developments to the structural and financial policies pursued over a number of years and thought that maintaining the stance of these policies would help consolidate the gains so far achieved. They commended the authorities for their high level of official development assistance and continued support for rapidly concluding the Uruguay Round.

Developing Countries

A broad range of developing countries—from newly industrializing to low-income—were commended by the Board during their Article IV consultations for having made significant strides with macroeconomic and structural reforms, many with the financial support of the Fund. This progress often came despite an unfavorable external environment to which, as Directors frequently noted in their discussions, many developing countries were vulnerable. Most developing countries to varying degrees required further macroeconomic and structural adjustment—or a faster pace of adjustment.

Many countries undertook strong fiscal adjustment measures during 1992, although in others the fiscal position deteriorated. In general, Directors believed that fiscal policy, which needed to focus on strengthening domestic resource mobilization and improving the management of public sector resources, should remain at the heart of the adjustment effort. Adhering to fiscal targets helped to narrow external imbalances, and to meet monetary and inflation objectives, and reduced the threat of exchange market pressures.

In a number of cases, Directors drew attention to the effects of the large short-term private capital inflows, which contributed to rapid money growth and complicated exchange rate management. Among the actions that could neutralize these flows were additional fiscal restraint and tighter bank liquidity, they noted.

As a way of strengthening the budget position, Directors often stated that it was desirable to curb some items of current spending, such as wages, subsidies, and defense, while at the same time they stressed the need to maintain necessary expenditure on essential functions of the health and education sectors, and on a social safety net. Also, they cited the need for better expenditure control. Directors frequently pointed to the need for additional revenue measures, and underscored the importance of fiscal reforms—including improved tax administration—designed to enlarge the revenue base and, in some cases, raise a low tax-to-GDP ratio. In some cases, the Board emphasized that the process of fiscal adjustments should be made as early in the reform as possible.

An improvement in the budget position helped to foster private sector investment, to generate adequate public sector savings to finance valuable public investment, and, for some countries, to attract donor support.

Actions on the fiscal front needed in the Board's view to be supported by monetary restraint, often with additional steps to liberalize the financial system. Many developing countries were commended for pursuing prudent monetary policies. Directors stressed that the authorities should exercise firm control over the credit and monetary aggregates so as to ease pressures on domestic prices and the balance of payments. Although prudent financial policies had frequently resulted in a significant reduction in inflation in many countries, in others the rate of inflation remained above that of main trading partners or had accelerated. Where deterioration on the inflation or balance of payments fronts occurred, this called for a corrective tightening of policies.

In the area of monetary policy, Directors welcomed the structural improvements that had been introduced in many developing countries, particularly the introduction, or maintenance, of interest rates at positive levels in real terms. Monetary objectives should be supported by a continuation of banking and capital market reforms, and the need for greater use of open market instruments was often noted. Directors also emphasized the importance of measures and actions that would ensure the independence of monetary policy and a proper degree of autonomy for central banks. They also called for preserving a healthy financial system and encouraged the monetary authorities to enhance their surveillance over the banking system. Monetary policy needed to be geared toward providing adequate credit to the private sector to allow it to play a leading role in the growth process.

Board members considered that developing countries generally had undertaken significant structural reforms to increase the supply of productive resources and enhance economic efficiency and competitiveness, but deficiencies persisted in some areas. These pointed to the need for elimination of labor market rigidities, incentives, subsidies, and price supports. Directors also emphasized the need to promote the diversification of production and of exports, improve the competitiveness of the economy, and strengthen the role of the private sector. At the same time, social safety nets were seen as increasingly becoming an important component of countries' efforts to shield the most vulnerable segments of their populations from the short-term effects of corrective policies (see section on Economic Reform and the Poor, below).

Several developing countries were urged by the Board to eliminate arrears and work toward normalizing relations with external creditors. This would help some developing countries regain access to voluntary market financing. For most low-income countries, substantial financial support from the international community, on concessional terms, would continue to be necessary. All developing countries needed improved access to industrial country markets.

Exchange rate policy continued to be an important component of Article IV discussions with developing countries. The Fund's advice in this area depends on the circumstances of each country. A few countries were urged to unify exchange rates at a realistic, market-determined level.

On the external front, a large number of countries were commended by Directors for initiatives to reduce exchange and trade restrictions, to promote greater competition, and to encourage fuller integration into the world economy. Many countries made progress toward balance of payments viability, but in many cases further adjustment efforts would be needed to establish external viability over the medium term. In addition to the external shocks to which many developing countries were vulnerable, a number of African countries faced a continuing drought in 1992; Directors in their discussions during Article IV consultations recognized the adverse impact of the drought.

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

The Board's discussions of the economies of China and India illustrate the substantial progress that the two largest developing countries in Asia have made against the background of the present world economic situation.

China

In their April 1993 review of the Chinese economy, Directors praised the country's 1992 growth performance, which they considered to be remarkable given the weak world economic situation. They also welcomed a stronger political commitment to transforming China's economy to one based on market mechanisms, while emphasizing that reforms must be as comprehensive as possible and that macroeconomic policy must ensure the maintenance of stability to allow the reform effort to be sustained. Directors supported the authorities' emphasis on the rapid integration of China into the world economy but stressed that a full opening of the economy would require a deepening of exchange and trade reforms. Directors viewed the persistently poor financial performance of state enterprises as a threat to macroeconomic stability but welcomed the authorities' efforts to reduce losses.

Turning to financial sector reform, Directors felt the most immediate step required was a strengthening of competition in the banking system by reducing the specialization among major banks and allowing the banks greater flexibility in setting interest rates while freeing them from policy-based lending. Directors also underscored the importance of developing national money and interbank markets.

In their discussion of the macroeconomic situation, Directors pointed to the growing indications of overheating that had been evident since late 1992 and emphasized that domestic financial policies had not, so far, been adequate to restrain demand growth. Directors were clearly of the view that action to curb demand was urgent. While emphasizing the need to safeguard against higher inflation, most Directors believed this should not deter the authorities from moving toward more market-based monetary management and away from direct credit control.

The persistently large fiscal imbalance was another focus of the Directors' discussion of macroeconomic policy, and some expressed concern that the budget for 1993 failed to take a first major step toward the medium-term goals of eliminating the Government's domestic bank borrowing, bank financing of state enterprises' losses, and all direct subsidies to cover these losses.

India

In their December 1992 review, Directors commended the Indian authorities for policies that had brought a marked turnaround in economic conditions through a move away from regulation and control and toward strengthening of competition and efficiency. The external payments crisis had been overcome, foreign exchange reserves had been rebuilt, inflation had fallen to single digits, and economic growth had begun to recover. There was also progress in removing some of the obstacles to long-term growth through the deregulation of industry, liberalization of trade and foreign investment, and the initial stages of financial sector reform.

While Directors cautioned that the central tasks of macroeconomic stabilization and structural transformation were far from complete, they expressed satisfaction that the authorities' economic program for 1992/93, including the targeted reduction in the fiscal deficit, was on track.

Directors expressed concern about the continued rapid money growth that resulted in part from larger than anticipated capital inflows, and they urged the authorities to take early steps to tighten bank liquidity. They also urged an early unification of the dual exchange rate regime.

Looking toward the medium term, Directors underscored the importance of faster and more decisive action in several key areas—notably further fiscal consolidation, implementation of tax reform, and developing a sound, competitive banking system.

Economies in Transition

Both in regular Article IV consultations and at a September 1992 discussion on developments in Central and Eastern Europe and the states of the former Soviet Union, Directors emphasized the importance of macroeconomic stabilization—including the introduction, from the outset, of appropriately tight fiscal and monetary policies. They also stressed that although necessary, macroeconomic stabilization was not a sufficient condition for successful transformation. Directors agreed that the experience of these countries demonstrated that a substantial degree of price liberalization at the outset was essential for successful reform.

Directors called for the early resolution of uncertainties in regard to monetary, payments, and financing relations within the ruble area. There was a clear need for all members of the ruble area to decide between participating in a common monetary arrangement with effective instruments for monetary control or introducing their own currency.[3] Directors saw a clear need for speedy progress in working out effective arrangements for interstate trade and payments.

An orderly withdrawal from a common currency structure is likely to be less disruptive than remaining in a dysfunctional monetary union. Independent currencies will facilitate conclusion of interrepublican arrangements by separating them from monetary arrangements and settlement systems. They will encourage the development of interstate credit arrangements among commercial banks and enterprises. Perhaps most important in the context of the former Soviet Union, independent currencies should permit greater monetary discipline than has seemed possible to date. A national currency, however, does not in itself guarantee low inflation; macroeconomic reforms and monetary restraint are required.

At the September 1992 review, most Directors believed that the debate between gradualism and shock therapy had become moribund and that the key issues at present were the priorities for policy orientation and the sequencing of reform. Some Directors noted in this connection that the fundamental shock throughout this region was caused by the collapse of central planning. The issue, in the Board's view, was not whether the Fund was imposing shock therapy, but rather how the Fund could under these difficult circumstances provide financial assistance that would effectively deal with the aftermath of the shock that had already taken place.

A most important lesson in policy adjustment for the countries of both Central and Eastern Europe and the states of the former Soviet Union was the close relationship between, and mutual reinforcement of, macroeconomic and structural policies and institution building. The difficulty of structural transformation was being reflected by widening fiscal deficits in several countries in Central and Eastern Europe. The extent to which such deficits could be tolerated was typically limited, especially in countries with still severe external constraints and high inflation. Directors cautioned that the formulation of programs in individual cases would have to weigh carefully the impact of budget deficits on the medium-term outlook and the progress achieved in narrowing domestic and external imbalances. Given the limited scope for increasing revenues, the main burden of adjustment in the short term would have to be borne by cuts in expenditures; the need for "investment in reforms" suggested that increased emphasis should be placed on the quality of expenditures.

With respect to the states of the former U.S.S.R., the Board stressed the particular urgency of establishing hard budget constraints for enterprises. The present lack of incentives for enterprises to improve their financial performance, together with problems in the payments system, were contributing to a massive increase in interenterprise arrears that was threatening to undermine the overall reform efforts in those states.

Directors further emphasized that an exchange rate policy based on a single unified rate was also an important element of the macroeconomic framework supporting the reform process. In this regard, they noted that Fund-supported programs in the countries of Central and Eastern Eu-

[3] For a discussion of the implications of introducing national currencies in the states of the former Soviet Union, see *World Economic Outlook, May 1993* (Washington: International Monetary Fund, 1993), pages 67–68.

rope had adopted a pragmatic approach to exchange rate policy in the light of initial conditions in the various countries.

During the consultations on the Baltic states, the Board commended the authorities for the substantial progress that had already been made by Estonia, Latvia, and Lithuania in carrying out far-reaching stabilization and reform policies under extremely difficult conditions.

Directors expressed concern about the sharp fall in output and the prospect for rising unemployment, but observed that at least with respect to Estonia, the fall appeared to be bottoming out. While commending the authorities for the steps they had already undertaken to carry forward privatization and property restitution measures, they nevertheless urged them to accelerate implementation in these areas. Directors also called upon the authorities in these three countries to intensify efforts to reform the social safety net better to target scarce public resources to the neediest groups, especially as the expected increase in unemployment was likely to put pressure on the budget.

During 1992/93, the Board held Article IV consultations for three Central and Eastern European countries, the Baltic states, Russia, and four of the other states of the former Soviet Union. (For a description of specific Fund-supported programs in these countries, see the section on Policies in Member Countries, below.)

Central and Eastern Europe

Albania

At their discussion in August 1992, Directors welcomed the opportunity to review Albania's new economic policies in the context of the country's first Article IV consultation with the Fund. Directors recognized that the program was the best that could be achieved under the circumstances. They noted in this regard the impressive set of prior actions taken and endorsed the priorities of the program in support of which Albania had requested a stand-by arrangement—particularly the initial focus on price reform, exchange and trade liberalization, fiscal adjustment, and key elements of structural reforms.

Nevertheless, Directors pointed out that the authorities' program faced major risks, and most speakers emphasized the need to avoid a slide toward hyperinflation. The Board further encouraged the authorities to develop a medium-term budget framework with the objective of returning to a more sustainable fiscal position. In that context, Directors emphasized the key role of strengthening tax administration, as well as proceeding with a comprehensive tax reform and an overhaul of the structure of government outlays in order to cut unproductive expenditures that were currently absorbing a large share of the budget.

Poland

In the Board's July 1992 review, Directors commended the authorities for the progress that they had made in transforming the Polish economy over the past two years despite an adverse external economic environment, notably, the loss of a substantial part of the country's traditional markets and an associated terms of trade shock. Directors pointed to the decline in inflation and the steady increase in the output share of the private sector as major successes. Moreover, in 1992 exports rose rapidly, the external current account returned to surplus, and external reserves recorded strong increases. Directors observed that systemic change was generally proving more difficult and time-consuming than initially envisaged, and they emphasized that an acceleration of reforms was essential to speed up the restructuring of the economy, support a sustained recovery of output, and underpin stabilization.

Many Directors noted with concern the problems in keeping with the fiscal targets for 1992. While recognizing the difficulties of coping with a weakening tax base, Directors observed that failure to contain this deficit would endanger the achievement of other policy objectives. The difficulties in extending the tax base beyond the shrinking financial base of the state enterprise sector was a point of special concern to Directors. In that regard, they welcomed the introduction of the new personal income tax and urged the authorities to introduce the value-added tax without delay.

A number of Directors stressed the importance of achieving a further reduction in inflation and of strengthening the role of the exchange rate as a nominal anchor. While welcoming the authorities' policy of keeping interest rates broadly positive in real terms, Directors generally urged the dismantling of the directed credit programs. They further emphasized the necessity of pushing ahead with structural reform.

Romania

Directors in their May 1992 review noted that the initial phase of Romania's reform program had resulted in important achievements. Most prices had been liberalized; all quantitative restrictions on imports had been removed; flexibility in the labor market had been introduced through collective bargaining; the financial system had been deregulated; the privatization process had been initiated; and citizens could establish businesses, compete freely in the market, and acquire and dispose of property.

Directors expressed concern, however, that the results on the stabilization front had been considerably below expectation. They accordingly viewed a strong stabilization effort and rapid advancement of structural reform as critical at this juncture of Romania's transformation process. The Board also stressed the importance of adhering to the Government's fiscal objectives, and it welcomed the authorities' readiness to implement a set of contingency revenue measures in order to protect them. Directors agreed on the need for tight credit policy in 1992. They further noted that one of the more important lessons of 1991 was that enterprise reform was the key to both the successful transformation of the economy and the achievement of macroeconomic stability.

The Baltic States

Estonia

Directors reiterated during their discussion in April 1993 their support for Estonia's economic stabilization and reform program, which had been implemented in an exceptionally difficult environment. They commended the substantial progress that had been made in stabilizing the economy, as evidenced by the substantial moderation in the rate of inflation, growing confidence in the kroon, and the rapid growth of trade with industrial countries. They expressed concern, however, about the sharp fall in output and the prospect of rising unemployment, but observed that the fall in output appeared to be bottoming out.

Directors agreed with the broad thrust of budgetary policy in 1993, stressing that if additional expenditures were warranted, it was crucial that additional resources be raised through new taxes, or through offsetting measures elsewhere in the budget. The authorities were also encouraged to maintain a cautious approach toward wage policy. The Board welcomed the Government's intention to accelerate the pace of privatization and restitution and underscored that, without rapid and determined action in that area, recovery in growth and employment would be unduly delayed. Directors also stressed the urgency of completing the market-oriented legal framework as soon as possible.

Latvia

Directors at their April 1993 discussion commended the authorities for the substantial reduction in the rate of inflation and for remaining committed to the implementation of their economic program despite a difficult external and internal environment. They noted, however, that further progress in stabilization, coupled with an intensification of structural reforms, was needed. Directors attributed the success of the stabilization effort achieved so far to strong monetary discipline, underpinned by a prudent fiscal policy and supporting incomes policy measures.

While recognizing that the real appreciation of the Latvian ruble reflected a recovery from a very depreciated position, Directors expressed concern about competitiveness. As to trade policy, the

Board viewed with concern the introduction of selective higher import tariffs in late 1992 that were designed to protect some sectors; they therefore welcomed the subsequent reduction in some of these tariff rates and urged the authorities to speed their removal. Directors said that program implementation had become somewhat unbalanced and urged the authorities to correct this by stepping up the implementation of structural policies, especially with respect to the enterprise sector. Another area of major concern for the Board was the weakness of the Latvian banking system. Directors recognized the general importance of external assistance, as well as the importance of open markets in the rest of the world for Latvian products.

Lithuania

Noting that Lithuania's stabilization and structural reform program was being implemented under difficult conditions, Directors were encouraged at their April 1993 consultation that the quantitative performance criteria for December 1992 had been met. They nevertheless expressed concern about the larger-than-anticipated decline in output in 1992 but noted that the renewed availability of oil and the start of disbursement of loans from the EC and the Group of Twenty-Four should contribute to a gradual recovery of the real economy in 1993.

Directors also expressed concern about the slow progress made toward stabilizing the economy and attributed this—in part—to the loosening of monetary policy conditions at the end of 1992. Accordingly, they urged the authorities to tighten monetary policy. The burden of monetary policy, in the Board's view, underscored the importance of enterprise reform and rapid progress by the banking sector toward market-based practices. Directors commended the strict application of incomes policy in the latter half of 1992. While agreeing that some increases in real wages were now justified, they were concerned that a further deterioration in Lithuania's terms of trade was possible and urged caution in granting additional wage increases in the coming months so that incomes policy could be a positive force in reducing inflation.

Russia

During the Board's April 1993 discussion of the Russian economy, Directors fully endorsed the staff appraisal and stressed the following broad themes: first, the difficult conditions under which the authorities had sought to implement stabilization policies and transform the economic system; second, the dangers of financial instability, which was threatening to undermine the thrust of the entire reform program, and the need for adjustment efforts to be intensified; and third, the expectation that the authorities would be able to meet the requirement to draw on the new systemic transformation facility, and that this would help them in their efforts to strengthen policies and to move to an upper credit tranche arrangement with the Fund. Directors noted that the program of financial stabilization and transition to a market economy had reached a critical juncture and that the current economic situation of balancing on the brink of hyperinflation was clearly unsustainable.

Directors further emphasized that the chief policy priority of the authorities in the period immediately ahead should be a substantial reduction in inflation, a goal that could be met only by sharply reducing the growth of monetary and credit aggregates. They believed that a durable reduction in inflation could be achieved only in the context of policies to reform the state enterprise sector, including the application of the bankruptcy code, rather than through central bank financing or budgetary transfers.

On the fiscal front, Directors observed that the continuation in 1993 of a domestic bank borrowing requirement at the level of 1992 would be incompatible with the restoration of financial stability. They stressed the need for additional fiscal measures, including increases in energy taxes, cutbacks in subsidies, and elimination of tax exemptions. They also stressed that policies toward the state enterprise sector should form a key component of the reform program. The system of financial assistance to enterprises needed to be reformed by making it transparent, temporary, conditional on restructuring, and consistent with overall macroeconomic objectives. Directors underlined the importance of maintaining the momentum of systemic changes and indicated that a broad privatization program constituted the best prospect for the reform of state enterprises.

Directors noted that Russia's external position was very difficult and that the financing requirement for 1993 would be large even with the prompt adoption of tighter policies. In this connection, they noted the recent announcements about commitments of bilateral assistance to Russia from major creditors. They welcomed in particular the progress achieved in regularizing Russia's relations with its creditors, and especially the conclusion of a debt rescheduling with official creditors. They hoped that agreements would soon be reached with other creditors on comparable terms.

Directors noted that the Russian Federation, being by far the largest member of the ruble area, had a special responsibility for defining clearly its policy intentions, including those in regard to financial assistance to other states of the former Soviet Union.

Other States of the Former U.S.S.R.

Armenia

Directors noted with grave concern in February 1993 the desperate economic situation in Armenia and the unprecedented decline in living standards. Directors recognized that the blockade of much of Armenia's trading routes had a devastating effect on the country's landlocked and energy-dependent economy. They expressed hope that the avenues being explored to resolve the regional conflict would be successful. In these circumstances, Directors acknowledged the virtual impossibility of Armenia being able to implement a successful stabilization program while a member of the larger ruble area. They nevertheless commended the authorities for their efforts to press ahead with the move to a market-based economy. They noted particular progress in several structural areas involving price liberalization, agricultural reform, tax reform, and the liberalization of the trade and exchange system.

The Board also expressed support for the authorities' objective of pursuing an export-led growth strategy and welcomed the comprehensive measures taken to liberalize Armenia's trade and exchange system. Directors nevertheless urged the authorities to reinvigorate their structural reform efforts. Some Directors encouraged the authorities to continue to work with the Fund in developing a stabilization program that would address, in a comprehensive manner, the critical policy issues facing the country.

Azerbaijan

During their March 1993 discussion, Directors commended the Azeri authorities for initiating measures to introduce market-based economic structures against a difficult background, and noted some of the relatively favorable developments in Azerbaijan compared with some neighboring countries. At the same time, they expressed concern about the more recent deterioration, particularly in budget performance. They further observed—and, indeed, many welcomed—Azerbaijan's intention to introduce a national currency and stressed the importance of having the requisite supporting policies in place.

In that connection, several speakers were concerned that the fiscal policies presently envisaged for 1993 did not provide adequate assurance that the budget deficit could be sufficiently contained to ensure financial stability. While recognizing that both revenues and expenditures had been rising, they emphasized that the authorities should concentrate on curtailing expenditures and narrowly limiting government recourse to bank credit. Directors noted that once Azerbaijan introduced its national currency, the authorities would need to direct monetary policy firmly toward the objective of reducing the rate of inflation. Several Directors urged the authorities to raise interest rates to positive real levels in the context of the monetary and credit program for 1993.

Directors hoped that the efforts to resolve the conflict over Nagorno-Karabakh would be successful, as this would facilitate implementation of the government reform program.

Kazakhstan

At their April 1993 review, Directors commended the authorities for substantive progress made in the initial phase of the systemic reforms, in spite of a highly uncertain and difficult financial environment. They noted that, given the country's vast natural resources, a favorable medium-term outlook could be expected with the implementation of coherent and credible reform policies. Directors welcomed the progress to date in implementing systemic reforms, including reductions in state intervention in production and trade, price liberalization, and privatization, but they stressed the need to expedite the progress on systemic reforms. They welcomed the adoption of a realistic and wide-ranging privatization program and called on the authorities to move rapidly to implementation. The importance of trade liberalization was also emphasized.

The Board nevertheless expressed regret that a comprehensive package of economic and structural policies had not yet been finalized, mainly owing to uncertainties associated with developments in the ruble area and the need for critical decisions regarding certain domestic policies. In these circumstances, implementation of a broad-based stabilization program and acceleration of systemic reforms should no longer be delayed, especially given that the authorities had shown a strengthened capacity for policymaking and implementation. Directors also agreed that a rapid and substantial lowering of inflation rates should be accorded high priority.

Moldova

At their February 1993 review of the Moldovan economy, Directors recognized that adverse diplomatic and political conditions, as well as a severe drought, had contributed to a precipitous decline in GDP, financial imbalances, rapid inflation, a severe deterioration in its terms of trade, and an acute foreign exchange shortage. Nevertheless, Directors urged the authorities to formulate expeditiously a comprehensive and credible program of stabilization and structural reforms to pave the way for a successful introduction of a national currency—which most Directors strongly supported. Noting that consumer subsidies continued to constitute a heavy burden on the budget, speakers urged the authorities to pass through increases in costs—in energy and cereal prices, in particular—to consumers, while at the same time targeting support to the needy.

While welcoming the authorities' intention to set up a treasury, Directors underscored the need for a comprehensive tax reform aimed at strengthening revenue mobilization, improving the tax structure, and bringing the revenue contribution of agriculture in line with that sector's economic importance. The Board also underscored the importance of rapid progress in the implementation of the privatization program and urged the authorities to proceed expeditiously with small-scale privatization, which, they noted, was likely to produce an early positive supply response.

International Capital Markets

The Board's discussion of international capital markets was held against the background of the currency crisis that enveloped the EMS in September 1992. The focus on this currency turmoil was particularly relevant, given the context in which it occurred—namely, the increasing and irreversible growth and global integration of capital markets. This integration, which is still in its early stages, has implications for the Fund's surveillance role, the international monetary system, and the global effects of national and regional policy decisions.

Box 7

Statistical Methodology

The Fund has played a major role in the revision of the UN System of National Accounts (SNA), which will be published in late 1993. The production of the 1993 SNA was a ten-year effort by five international agencies (the Fund, the Organization for Economic Co-operation and Development, the Statistical Division of the United Nations, the Statistical Office of the EC, and the World Bank). In addition to the work of the agencies, national accounts experts from a broad range of countries contributed to the revision process. The 1993 SNA is particularly important as most countries in the world are committed to implementing it, in whole or in part, as their own basis for compiling and presenting national accounts.

The Fund's work in this unprecedented international cooperative effort has had two main goals—the overall improvement of national accounts standards and harmonization of its three specialized statistical systems with the SNA. The first goal was achieved through its active role in the management effort and by drafting a number of chapters and annexes of the 1993 SNA. The process of revision offered the opportunity to achieve harmonization of national accounting principles and those of other macroeconomic systems. Balance of payments, monetary, and government finance statistics are separate statistical methodologies that are organized to support specialized economic analysis that the framework of national accounts cannot easily do. Nevertheless, as the SNA is a global macroeconomic system, its links to other systems should be clear, and nonessential differences should be eliminated.

To promote these objectives, the Fund organized three international meetings of experts in national accounts and each of the Fund's core areas. These meetings and the work that developed from them have led to a significant bridging of the gap between the systems. This is reflected most evidently in the almost complete harmonization of the 1993 SNA and the fifth edition of the *Balance of Payments Manual* (forthcoming).

In general, Directors viewed the structural changes that have taken place over the last decade in international financial markets as beneficial, bringing in their train significant efficiency gains for the world economy. However, the ability of private foreign exchange markets to mobilize at short notice a volume of resources that are much larger than those available to central banks posed serious challenges to policymakers at the regional and national level. Such an environment was not forgiving of policy inadequacies. Directors stressed the importance of more timely correction of macroeconomic imbalances, closer monitoring of exchange rates to ensure consistency with underlying fundamentals, and improved monetary coordination.

These areas are central to the Fund's surveillance role—in particular, the timely, clear, and candid transmission to the concerned authorities of the Fund's views on exchange rates and underlying policies. Directors stressed that a strengthening of the Fund's surveillance function could contribute crucially to ensuring that policymakers take into account the global implications of national and regional policy decisions.

To several Directors, the ERM crisis of September 1992 provided an object lesson on the limits of the discipline that capital markets could exert over government policies. Not only was such discipline far from fallible, but it was not necessarily applied smoothly or consistently. During the currency turmoil, speculative attacks were launched not only on currencies with relatively weak fundamentals but on those with stronger fundamentals as well. It was noted that the definition of fundamentals may well need to be extended beyond the traditional macroeconomic indicators to include the market's assessment of the political will of the authorities to make their exchange rate objectives paramount relative to the domestic requirements of monetary policy. Nevertheless, sound policy and strong fundamentals were still the best preventatives against exchange rate crises under both fixed and floating rate regimes.

A prologue to the ERM crisis was the series of "convergence plays," which brought to light the insufficient degree of convergence of underlying economic conditions among the ERM participants. Over 1987–91, large cumulative amounts of capital flowed into the higher-yielding ERM currencies. These inflows were fueled by the diminishing expectation of international investors of further exchange rate changes on the way to economic and monetary union EMU, thereby creating the potential for large outflows once uncertainties surfaced. In the event, the assumption of complete fixity of exchange rates could not hold up against the evidence of insufficiently deep and durable convergence among the EMS countries, and there were massive shifts out of some currencies, precipitating the ERM crisis.

Directors noted that a broad range of private sector participants were involved in the ERM crisis, including banks, securities houses, institutional investors, hedge funds, and corporations. Nevertheless, as noted by Directors, the markets worked reasonably well during the crisis: no major financial firms failed, and there was no persistent seizing up of the largest asset markets. Further, the crisis remained localized to European currency markets. Some Directors attributed this relative stability to the improvements in risk-control systems that had been instituted following the equity market crash in 1987. They cautioned, however, against complacency and stressed the importance of making further progress in the improvement of risk-control systems, since there was no guarantee that the absence of contagion that characterized the ERM crisis would necessarily be the case in a future currency crisis.

In their evaluation of the tactics the authorities used to defend the ERM parities during the currency crisis, Directors noted that effective intervention depended on the degree of coordination among the participants, as well as the quality of the intervention. The crisis had made clear the limits of sterilized intervention when markets are convinced that certain exchange rates were out of line with fundamentals and interest rate coordination was under tight constraints. In an environment of strong fundamentals and monetary policy cooperation, however, Directors pointed out that intervention could still play a supporting role in countering short-term disorderly market conditions.

Several Directors suggested that the scope was limited for borrowing from private markets by the official sector to correct imbalances between their resources and those of the private market participants. But in the view of other Directors, merely the perception of inadequate reserves could trigger a speculative attack on a currency. An increase in the supply of official reserves or of official lines of credit warranted consideration, in the view of these Directors, including a new short-term facility from the Fund. A few Directors mentioned the possibility of a role for the SDR in this area.

Another lesson of the ERM crisis was that the scope of using aggressive interest rate action in defense of fixed rates was much greater where participants have healthy fundamentals and where there is reasonable harmony between internal and external monetary policy requirements. These conditions did not prevail in many of the ERM countries during the crisis. Several Directors felt that the effectiveness of interest rate policy in managing exchange rates depended on the ability of the authorities to convince the market that their commitment to the exchange rate took precedence over other monetary policy objectives. Several Directors agreed to central bank independence as a means of enhancing the credibility of commitment to an exchange rate. However, possibly more important than institutional arrangements was the ability of the authorities to convince the market that they were pursuing sound anti-inflationary policies.

Directors were unanimous in their support of open capital markets and in their rejection of the use of temporary capital controls during an exchange rate crisis. Directors were also cognizant, however, of the risk to banks and other institutions that exchange rate volatility posed, and felt that banks should be holding adequate capital against foreign exchange positions. They noted the efforts by the Basle Committee on Banking Supervision, which was readying proposals for extending bank capital requirements.

Directors considered actions that might be taken to forestall future crises in currency markets, as well as options for improving the current exchange rate system. In the case of the ERM, many Directors felt that future crises could be avoided if frequent, small changes were made within the ERM band in combination with strong continuing efforts to promote greater convergence. Others found considerable scope for improvement within the existing rules—taking earlier interest rate action, monitoring interest rates for consistency with fundamentals, and improving monetary policy coordination.

International Liquidity and the SDR Mechanism

One of the Fund's primary purposes is to facilitate the expansion and balanced growth of international trade through the improved functioning of the international monetary system. International liquidity and the level of members' international reserves are important components of this system. The SDR, which is an international reserve asset, was created to supplement existing reserves as and when the need arises. On two occasions, during the financial year, the Board reviewed the state of international liquidity in the context of members' reserve positions to determine whether an additional allocation of SDRs was called for.

In the first review in June 1992, the Board discussion focused on three topics: the long-term global need for reserve supplementation and the case for an SDR allocation during the sixth basic period (1992–96); issues related to the prolonged use of SDRs; and proposals for linking allocation, redistribution, and conditionality.

In assessing the long-term global need for reserve supplementation, many Directors observed that a global need did not require that all, or nearly all, countries needed an increase in their reserves. Conversely, the fact that many individual countries or groups of countries needed to increase their reserves did not necessarily imply that a global need for reserve supplementation existed. Moreover, if a long-term global need existed, an allocation of SDRs could be made, even if that need could be met through other means. These Directors believed that it was particularly urgent to increase the supply of international reserves for countries facing severe reserve stringencies. Low reserve holdings in the states of the former U.S.S.R., the small low-income countries, and the sub-Saharan African countries were viewed as having potentially severe adverse implications, not only for the individual economic performance of those countries but also more generally for the world economy.

Other Directors, however, did not share the view that there was a long-term global need for reserve supplementation and therefore did not see the case for an SDR allocation. These Directors stressed three considerations. First, many of the countries that accounted for the bulk of world trade and financial flows did not appear to face any difficulties in satisfying their growing demand for reserves. Moreover, because the ratio of non-gold reserves to imports had risen for many developing countries, it did not appear that the reserve creation mechanism was operating abnormally. Second, these Directors stated that the low reserves of many countries often reflected inadequate or inappropriate macroeconomic and financial policies; such situations should be corrected by policy adjustments supported by conditional lending, rather than through a global mechanism such as an SDR allocation. Finally, the use of the SDR system to deal with a regional problem could impair the reserve asset characteristics of the SDR.

Many Directors emphasized the importance of using the SDR system to create reserves to hold. It was noted in this connection that many developing countries retained only a relatively small fraction of their cumulative SDR allocations. Differing views were expressed on the usefulness of measures to reduce prolonged net use of SDRs, but there was no support for the use of a penalty interest rate to reduce such prolonged use. It was broadly agreed that, in current circumstances, a moderately sized SDR allocation would not be a threat to world price stability.

A number of Directors supported proposals for a post-allocation redistribution of SDRs. These Directors stated that the beneficial effects of an SDR allocation could be enhanced if such redistribution directed reserves to those countries with the greatest need. They also highlighted the need to increase both conditional resources and owned reserves for countries implementing structural adjustment programs. Other Directors, however, noted that such redistribution proposals were not consistent with the objective of the SDR system, which in their view was to meet over time the growing need of the entire membership for reserves. In addition, some Directors objected to the provision of conditional liquidity through the SDR system and felt that the need for conditional liquidity should be addressed through quota increases.

Although the broad support needed for an SDR allocation was lacking, Directors were in general agreement that the possible need for such an allocation in future should be kept under active review.

The second review, which took place in April 1993, focused mainly on the long-term global need, which is fundamental to any consideration of an SDR allocation. In this connection, Directors who advocated an SDR allocation at the first discussion also stressed that the assessment of long-term global need involved the exercise of judgment and could not be reviewed only within a statistical framework of reserves developments, including the distribution of reserves.

These Directors noted that the reserves of several countries were very low, and that for 40 percent of the Fund's membership, nongold reserves amounted to at most ten weeks of imports, and far less in terms of their total current account transactions. Most Directors agreed that the economic and financial costs of building up reserves by borrowing were very high for many countries, even for those that had established sufficient creditworthiness. These Directors considered that if the Fund did not directly help members to build up their reserves, there was a risk that the international monetary system could be disrupted. The fact that 38 members that had joined the Fund since the last allocation had not been allocated SDRs raised the issue of equity.

Other Directors who in the earlier discussion did not feel there was a need for a reserve supplement were less convinced that an SDR allocation would produce the desired effect of helping the low-reserve countries build up their reserves. They noted that the conditional resources available through the Fund's facilities would perhaps better meet medium-term needs, and they expressed some concern that an SDR allocation could weaken these countries' commitment to strong programs of economic reform and adjustment.

All Directors agreed that making the SDR the principal reserve asset of the international monetary system was an objective of the Fund's Articles of Agreement but was not a criterion for justifying an allocation. Many Directors thought that this objective could not be met without increasing the pace of SDR allocation in the future, and they stressed that continued reliance on reserve currencies alone to provide the supply of reserves would not be compatible with the objective.

On balance, most Directors believed that the case for long-term global need had been made to their satisfaction and they could therefore support an SDR allocation. Other Directors, however, felt that other means of international liquidity creation could satisfy the reserve needs for many members and that, for other members, conditional, rather than unconditional, liquidity might be a more appropriate response to their need for reserve supplementation. Therefore, although most Directors thought that the Fund should be prepared to cover a small share, say, 10 percent, of the projected increase in reserve demand over the sixth basic period, the broad support for an allocation at this time was lacking.

The decision to keep the need for an allocation under active review was reinforced by the Interim Committee, which, during its meeting in April 1993, requested the Board to assess the long-term global need for a supplement to existing reserve assets, the potential economic and monetary effects of an allocation, and the future of the SDR as a reserve asset. The Committee asked that a report on this work be submitted to it at its next meeting in September 1993.

Fund Financial Support of Member Countries

In 1992/93, 11 stand-by arrangements totaling SDR 2.0 billion, and 3 extended arrangements totaling SDR 1.2 billion, were approved. These commitments of SDR 3.2 billion were lower than the SDR 8.1 billion committed in 1991/92, mainly because of the improved economic performance of many developing countries. At the end of April 1993, 15 countries had stand-by arrangements with the Fund, with commitments amounting to SDR 4.5 billion, while there were 6 extended arrangements in effect, with commitments amounting to SDR 8.6 billion. Cumulative commitments under SAF and ESAF arrangements, including expired arrangements, totaled SDR 4.6 billion, of which SDR 3.7 billion had been disbursed—SDR 0.6 billion in 1992/93.

During the financial year, purchases from the Fund's General Resources Account, excluding reserve tranche purchases, amounted to SDR 5.3 billion. Repurchases amounted to SDR 4.1 billion. Fund credit outstanding in the General Resources Account increased for the third year in a row, to SDR 24.6 billion at the end of April 1993.

A new systemic transformation facility (STF) was established in April 1993. The Board also reviewed the experience of 19 low-income countries under ESAF arrangements and agreed that the ESAF had proved effective in helping these countries formulate macroeconomic and structural reforms. The Board reached a broad consensus on a successor facility to the ESAF and agreed that this should be introduced in a timely manner.

Access Policy

With the quota increases under the Ninth General Review of Quotas becoming effective, the Fund adopted new access limits on the use of its resources by member countries. In addition, the financial terms for use of the Fund's general resources were simplified and a technical provision of the access policy was eliminated to ensure a more appropriate application of conditionality.

The new access limits, expressed in terms of the new quotas, became effective on November 11, 1992. They are intended broadly to maintain potential access to the Fund's resources for the membership as a whole (see Box 8). These limits ensure that the Fund will be able to continue to meet its central role in supporting and catalyzing other support for members' economic adjustment efforts, while maintaining a sound liquidity position in the period ahead.

The limits are not targets, and access to Fund financing within the limits will continue to vary in each case, according to the circumstances of the member. In exceptional circumstances, the Fund may still approve stand-by or extended arrangements for amounts in excess of these limits. Moreover, the new access limits are intended to be temporary in nature and, therefore, will be reviewed annually by the Board in light of all relevant factors, including the magnitude of members' balance of payments problems and the Fund's own liquidity situation.

Board discussion of the new access policy in October 1992 underlined Directors' concerns about the need both to safeguard the Fund's liquidity position and maintain the Fund's critical catalytic role in supporting members' adjustment efforts.

Representation of Member Countries

At the 1992 Annual Meetings, the Chairman of the Board of Governors, following the recommendations of the Joint Procedures Committee, took a series of decisions concerning the representation of Haiti, Somalia, and Yugoslavia. With respect to Haiti, the Chairman decided to accept the credentials of the delegation appointed by the Government in exile of President Jean-Bertrand Aristide, thus denying the credentials of the delegation appointed by the government in Port-au-Prince that was in effective control of the territory and administration of the member. In the situation of Somalia, the Chairman decided to leave the seat of

Box 8

Fund Facilities and Policies

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

Regular Facilities

• *Tranche policies.* The Fund's credit under its regular facilities is made available to members in tranches or segments of 25 percent of quota. For first credit tranche purchases, members are required to demonstrate reasonable efforts to overcome their balance of payments difficulties. There are no performance criteria and repurchases are made in 3¼ to 5 years. Upper credit tranche purchases are normally associated with stand-by arrangements. These typically cover periods of one to two years and focus on macroeconomic policies—such as fiscal, monetary, and exchange rate policies—aimed at overcoming balance of payments difficulties. Performance criteria to assess policy implementation—such as budgetary and credit ceilings, reserve and external debt targets, and avoidance of restrictions on current payments and transfers—are applied during the period of the arrangement and purchases are made in installments. Repurchases are made in 3¼ to 5 years.

• *Extended Fund facility.* Under this facility, the Fund supports medium-term programs through extended arrangements that generally run for three years (up to four years in exceptional circumstances), and are aimed at overcoming balance of payments difficulties stemming from macroeconomic and structural problems. Typically, a program states the general objectives for the three-year period and the policies for the first year; policies for subsequent years are spelled out in annual reviews. Performance criteria are applied, and repurchases are made in 4½ to 10 years.

Special Facilities

• *Systemic transformation facility* (see pages 60–61).

• *Compensatory and contingency financing facility* (CCFF). The purpose of this facility is twofold. The compensatory element provides resources to members to cover shortfalls in export earnings and services receipts and excesses in cereal import costs that are temporary and arise from events beyond their control. The contingency element helps members with Fund rangements to maintain the momentum of reforms when faced with a broad range of unforeseen, adverse external shocks, such as declines in export prices, increases in import prices, and fluctuations in interest rates. Repurchases are made in 3¼ to 5 years.

• *Buffer stock financing facility.* Under this facility the Fund provides resources to help finance members' contributions to approved buffer stocks. Repayments are made within 3¼ to 5 years, or earlier.

Emergency Assistance

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

Facilities for Low-Income Countries

• *Structural adjustment facility* (SAF) arrangements. Under these arrangements, the Fund provides resources on concessional terms to support medium-term macroeconomic adjustment and structural reforms in low-income countries facing protracted balance of payments problems. The member develops and updates, with the help of the Fund and the World Bank, a medium-term policy framework for a three-year period, which is set out in a policy framework paper. Within this framework, detailed yearly policy programs are formulated and are supported by SAF arrangements, under which annual loan disbursements are made. The programs include quarterly benchmarks to assess performance. The rate of interest on SAF loans is 0.5 percent and repayments are made in 5½ to 10 years.

• *Enhanced structural adjustment facility* (ESAF) arrangements. The objectives, conditions for eligibility, and program features under these arrangements are similar to those under SAF arrangements. However, ESAF arrangements differ in the scope and strength of structural policies, and in terms of access levels, monitoring procedures, and sources of funding. The cutoff date for commitments under the ESAF is November 30, 1993. Board discussions on an ESAF successor facility are summarized on pages 63–64.

Somalia unfilled. Finally, for the Socialist Federal Republic of Yugoslavia, the Chairman denied the credentials of the delegation from the Federal Republic Yugoslavia (Serbia/Montenegro), and the seat was left unfilled for the Annual Meetings.

In light of these decisions, the Executive Board, on October 30, 1992, endorsed a series of proposals concerning the Fund's relations with these three members. With respect to Haiti, the Board decided that the Governor appointed by the Government of President Aristide would continue to be accepted as Governor of the Fund and that this Government would be asked to perform all obligations of membership. With respect to Somalia and the Socialist Federal Republic of Yugoslavia, the Board found that there were, at that time, no Governors for these members but that the designation of their respective fiscal agents and depositories would remain effective. The Fund would therefore continue to deal with these fiscal agents and depositories.

On December 14, 1992, the Fund determined that the former Socialist Federal Republic of Yugoslavia had ceased to exist, and therefore ceased to be a member of the Fund. At the same time, the Fund decided that the Republic of Bosnia and Herzegovina, the Republic of Croatia, the former Yugoslav Republic of Macedonia, the Republic of Slovenia, and the Federal Republic of Yugoslavia (Serbia/Montenegro) are the successors to the assets and liabilities of the former Socialist Federal Republic of Yugoslavia in the Fund, and, subject to specified conditions, may succeed to its membership in the Fund.

On January 15, 1993, the Fund's Executive Board determined that the Republic of Croatia and the Republic of Slovenia had fulfilled the necessary conditions to succeed to the membership of the former Socialist Federal Republic of Yugoslavia in the Fund. A determination to the same effect was made with regard to the former Yugoslav Republic of Macedonia on April 21, 1993.

Systemic Transformation Facility

In view of the enormous problems confronting Russia and the other states of the former Soviet Union, as well as the other economies in transition, the Board in April 1993 agreed to the creation of a new temporary facility, the systemic transformation facility (STF).

The STF is specially designed to extend financial assistance to members experiencing severe disruptions in their trade and payments arrangements due to a shift from significant reliance on trading at nonmarket prices to multilateral, market-based trade. Such members would include those at an early stage of the transition process and as yet unable to formulate a program that could be supported by the Fund under its existing facilities and policies.

- The STF is temporary in nature and will be in effect through 1994.
- Use of the STF will be open to members experiencing balance of payments needs resulting from severe disruptions in traditional trade and payments arrangements. Such needs could be manifested by (1) a sharp fall in total export receipts on account of a shift from a significant reliance on trading at nonmarket prices to multilateral, market-based trade; (2) a substantial and permanent increase in net import costs, due to a shift toward world market pricing, particularly for energy products; or (3) a combination of both.
- Under the eligibility provisions, it is expected that the primary focus of the STF will be the states of the former Soviet Union and the former participants in the Council for Mutual Economic Assistance (CMEA). In addition, eligibility may extend to a number of countries in Asia, Europe, and the Middle East that are undergoing the same kind of transition, or which had very close ties with the CMEA or the former Soviet Union and which are being significantly affected by that transition.
- For members that have or already have had IMF arrangements, it would normally be expected that the use of the new facility would be in the context of their existing or a future arrangement and could, when appropriate, result in an increase in their overall access to IMF resources.

For countries seeking assistance under the STF, outside an upper credit tranche or an ESAF arrangement, the Fund will need to be satisfied that the member will cooperate in solving its balance of payments problems and, specifically, that it will move as soon as possible toward policies that the Fund could support under an upper credit tranche stand-by, extended, or ESAF arrangement. Significant policy actions designed as first steps in this process will be expected, including prior actions. Progress toward stabilizing the economy, stemming capital flight, and implementing structural and institutional reforms needed to create a market economy and to conduct economic policy in a market framework will be emphasized. In particular, convincing actions to stabilize monetary conditions will be a precondition for those member countries where inflation has been unacceptably high or is accelerating.

The request for financing will be accompanied by a written policy statement describing the objectives of economic policy; macroeconomic projections; structural, fiscal, monetary, and exchange measures to be implemented over the period covered by the STF; and, if applicable, a technical assistance program. The member will be expected to agree not to intensify exchange or trade restrictions or introduce new restrictions or multiple currency practices, and will also agree to cooperate with its trading partners in seeking constructive solutions to common problems.

For countries using the new facility in the context of existing or future upper credit tranche stand-by, extended, or ESAF arrangements, the approval of such an arrangement, or the completion of a review, would satisfy the conditionality requirements for use of the STF.

Access to the new facility is limited to not more than 50 percent of quota. Access will depend on a balance of payments need stemming from the disruption of a member's traditional trade and payments arrangements, and could be in addition to any financing obtained under other Fund facilities. Disbursements are made from the Fund's General Resources Account; the rate of charge will be the same as for other uses of the Fund's general resources: repayment terms of 4½–10 years will be the same as for financing under the extended Fund facility.

Financing will be provided in two disbursements: half of the total financing will be disbursed at the outset. The remainder would be made available normally about 6 months and not later than 12 months after the first purchase, depending on continued cooperation and policy implementation, satisfactory progress toward agreement on an upper credit tranche stand-by, extended, or ESAF arrangement, articulation of a quantified financial program—where this was not already in place—and progress in mobilizing financing from other sources. In some cases, the second disbursement could take place in less than 6 months, depending on policy implementation; and it could take place after 2 months where the member reached agreement on a new upper credit tranche stand-by, extended, or ESAF arrangement or a review was completed under an existing arrangement. Provided that the first disbursement is made by the end of 1994, a second drawing may be completed by the end of 1995.

Meeting in Washington on April 30, 1993, the Interim Committee welcomed the Fund's prompt response to the extraordinary circumstances being faced by a number of its members as a result of the widespread transition to market-based economic systems. In the Committee's view, the STF would enable the Fund to play its essential role in promoting this historic transformation. The Committee expressed confidence that a number of members would qualify early for support, thereby paving the way for further support through the Fund's customary facilities.

Compensatory and Contingency Financing Facility

In January 1993, the Board reviewed recent experience with the compensatory and contingency financing facility. Certain modifications to the compensatory element were approved, while the contingency element was simplified considerably to provide members with a more flexible means of reducing the vulnerability of Fund-supported programs to unexpected external developments.

Enhanced Structural Adjustment Facility

When the Board reviewed the experience of 19 low-income countries under arrangements under the enhanced structural adjustment facility (ESAF) in March 1993, there was broad agreement that the facility had proved an effective mechanism for Fund involvement in low-income countries and was a useful vehicle for formulating macroeconomic policies and structural reforms in a medium-term perspective.

The experience under ESAF-supported programs, while diverse, had been favorable. Notwithstanding exceptionally weak initial conditions and adverse exogenous developments affecting many countries, most indicators of economic performance had improved: real GDP growth, and export volume growth in particular, had strengthened and inflation had fallen. Although external current account deficits on average had widened, this was mainly due to worsening terms of trade and, in a few countries, higher investment. The latter reflected aid inflows, catalyzed by adjustment policies. The largest improvement had been in countries that had undertaken forceful structural reforms and had suffered the least from worsening terms of trade.

Welcoming the substantial structural reforms made under ESAF programs, Directors noted strong progress in liberalizing exchange and trade systems, eliminating price controls, reducing the role of agricultural marketing boards, and freeing interest rates. The need for supportive market-opening measures in the major export markets for these countries was emphasized.

Directors regretted that considerably less progress had been made in reforming public enterprises—an issue for most of the countries under review—and stressed that a more forceful effort was needed to address this issue in close collaboration with the World Bank. On financial sector reform, Directors welcomed progress in liberalizing direct controls over credit allocation and achieving positive real interest rates. They emphasized the need to press ahead with bank restructuring, improvements in banking supervision, and the legal and institutional changes for the transition from direct to indirect instruments of monetary control. Some suggested a greater role for prior actions in areas critical to ensure the effectiveness and success of programs.

While Directors welcomed the progress in reducing central government budget deficits, they considered that fiscal deficits remained excessive and that, in most cases, more ambitious policy adjustments were needed in ongoing and future programs. These adjustments needed to come from fundamental reforms to expenditure control and tax systems.

Many of the countries under review had actively used exchange rate policy supported by internal, particularly fiscal, adjustment and by structural reform in the exchange and trade systems. In that connection, Directors noted the importance of sustained financial discipline to maintain the improvements in competitiveness achieved in recent years, and stressed the need for countries to respond quickly and adequately to adverse terms of trade shocks.

Progress toward external viability had differed considerably among the countries under review. While almost all had been able to halt a deterioration in their debt profiles during their SAF and ESAF arrangements, only about half had progressed significantly toward external viability. The countries that had made the most progress in this area were those that had shown the strongest improvement in domestic economic performance.

In countries where there was less progress, adverse terms of trade developments, difficulties in policy implementation, and exceptionally high initial debt burdens had played a role. Many low-income countries still faced excessive debt burdens, and Directors urged the flexible implementation of enhanced concessions in Paris Club debt reschedulings—and some even called for further enhancement of these concessions—to alleviate exceptional debt burdens, provided that sound policies were sustained. As foreseen in current Paris Club agreements with low-income countries, this would also require timely action on the stock of debt tailored closely to individual country circumstances. Several Directors emphasized that progress toward external viability should be given greater emphasis in ongoing and future programs.

The technical assistance and training needs of the low-income countries remained substantial, pointing to the importance of carefully targeting this kind of assistance to the areas of greatest need: improved expenditure control, tax administration, and financial sector reform were obvious target areas. Several Directors focused on the need for an adequate administrative capacity if countries were to benefit fully from ESAF-supported programs.

In general, Directors approved of the objectives and design of the programs supported by ESAF resources. They stressed the need for strong political commitment by the authorities and the importance of "ownership" of the program by the country. Directors reconfirmed the importance of a medium-term perspective for adjustment and of the emphasis on structural reform and institution building to support strong macroeconomic policies. The ESAF-supported programs to date had made it clear that structural reform and institution building took time and required sustained effort. This process was now well under way in many low-income countries and deserved the Fund's continued support through concessional resources.

Looking to the future, the Board saw a need to step up efforts to improve the quality of data, especially for the public sector and national accounts, debt, and the financial sector. On the design of programs, Directors emphasized the need for timely reassessments of program objectives and policies in light of unanticipated changes in external developments and to give greater recognition to the downside risks. They stressed the usefulness of contingency mechanisms and safety margins in programs.

Directors welcomed an increased emphasis on social issues and stressed the importance of protecting the more vulnerable social groups from the impact of adjustment policies. They asked for closer collaboration between the Fund and World Bank staffs in designing social safety nets.

Since the initial rationale for the ESAF remains relevant, there was a broad consensus among Directors at an April 1993 meeting that an ESAF-type facility should continue to be available for a further period of operations, and that a successor facility should be introduced in a timely manner to provide continuity after the November 1993 cutoff date of commitments under the current ESAF Trust. There was broad support for a time frame of three years from December 1, 1993 for commitments under the successor, as this would meet the currently foreseen needs of eligible countries, while signaling the essentially temporary nature of the operations. In relation to the financing needs of ESAF-eligible members, SDR 6 billion was considered appropriate for such operations. For funding the successor facility, Directors focused their attention on two alternatives: the use of resources from the General Resources Account, with interest subsidies from an administered account, and continuation of the current ESAF Trust funding structure.

Directors also agreed that the basic modalities of the current ESAF had worked well and should be retained. These pertain to eligibility, qualification for assistance, access policy, conditionality, and program monitoring. Most Directors concluded that eligibility should remain essentially unchanged from the current ESAF. Possible expansion of eligibility would continue to be considered case by case, based broadly on the criteria of per capita income and IDA (International Development Association) eligibility. Qualifications for assistance would also remain unchanged, and would involve close collaboration with the World Bank, in particular through the policy framework paper.

Regarding conditionality, programs supported by the ESAF successor would continue to be set in a three-year framework and aim at promoting, in a balanced manner, both balance of payments viability and growth. Drawing on the experience of the ESAF so far, programs would be expected to accelerate progress toward external viability and to feature in particular firm discipline in financial policies and a sharp focus on structural reforms. Directors stressed the need for greater attention to protection of programs through contingency mechanisms and appropriately designed social safety nets. Importance was attached to well-targeted and timely provision of technical assistance, in cooperation with other institutions—including the World Bank and bilateral donors—as a complement to ESAF programs, and to strengthening the country's administrative capacity to implement reforms. Directors also stressed the importance of further progress in rationalizing public expenditure away from unproductive uses, including military spending.

Meeting in Washington on April 30, 1993, the Interim Committee welcomed the improved performance of developing countries as a group, but noted many low-income countries, particularly in Africa, still faced difficult economic situations and a lengthy process of adjustment. Encouraging the Fund to continue its efforts in helping to implement adjustment and catalyze external financing through the ESAF, the Committee invited the Executive Board to complete its work on a successor facility by the end of November 1993. The Board was encouraged to give urgent consideration to all the options for financing the successor facility.

The experience of the SAF and the ESAF has illustrated the close cooperation that exists between the Fund and the World Bank in coordinating policy advice and financial assistance to help members progress toward sustained economic growth, stability, and development. Although their charters give them different though complementary mandates, both institutions seek to promote sustained economic growth, stability, and development in their member countries. The policy framework paper process under the SAF and the ESAF is strengthened by promoting a more central role for the countries receiving assistance and a greater involvement of donors, as well as through close collaboration between the two staffs. The Fund staff relies to a considerable extent on the advice of the staff of the World Bank in preparing medium-term policy measures designed to address the social aspects of SAF- and ESAF-supported programs.

Economic Reform and the Poor

The Fund's concern for the poor is reflected in its policy dialogue and advice, and in the measures incorporated in programs, as well as in the technical assistance in the area of social safety nets provided during 1992.

Many of the policies that are needed to achieve economic stabilization, including appropriate exchange rates and producer prices, are directly beneficial to the poor; for example, they provide real income gains to small farmers and increase activity levels for the poor. Some policies, however, such as major adjustments in relative prices, or in the overall size of the public sector to achieve a sustainable budgetary position, may have a negative impact on some poor or vulnerable groups in the short run. Particular mitigating measures may be needed to protect such groups from a decline in their living standards below an acceptable minimum. Together, these measures could be considered a social safety net with respect to a country's adjustment effort.

Such social safety nets depend partly on existing social policy instruments and institutions, with appropriate modifications. These include formal social security arrangements and specific and transitory interventions, such as targeted consumer subsidies and public works assistance. The choice of social safety nets for a particular country depends crucially on the nature of the adjustment envisaged, as well as the country's institutional and administrative capabilities.

Policy Advice in Fund-Supported Programs

The reform of consumer subsidies has figured prominently in Fund-supported programs—including under SAF and ESAF arrangements—for a number of developing countries, as well as in policy advice provided to countries in transition to a market economy. Adjustments that are needed to reduce budgetary outlays and provide appropriate producer incentives have been accompanied by a variety of social safety net measures, including limited transfers to the vulnerable in cash or kind. Such measures are used in Central and Eastern European transition economies and some states of the former U.S.S.R., as well as in developing countries, such as Guyana and Ethiopia.

In many countries, a reduction in the public sector wage bill has been required. The Fund has supported measures to avoid undue compression of the wage structure and, at the same time, to provide for those employees who might become unemployed because of retrenchment in the civil service or the military (for example, in Barbados, Benin, Ethiopia, and Mozambique). The restructuring or privatization of state-owned enterprises has been important in many former centrally planned economies, and measures have been proposed to cater for the unemployed. Where mitigating measures have been too generous, as with open-ended unemployment benefits, reform has been advised. The reform would not reduce incentives for job search, would be feasible from the budgetary perspective, and would provide an adequate social safety net (for example, in Poland and several states of the former U.S.S.R.). Here the role of targeted employment assistance, in conjunction with other measures for local assistance, has featured in a number of different contexts.

In many countries, inappropriately designed formal social security instruments, particularly for pensions and health care, have generated severe budgetary distortions. Fund advice has been provided in some cases through technical assistance.

Technical Assistance in Social Safety Nets

Technical assistance concerning social safety nets, provided often in connection with a Fund-supported program, serves to clarify the options that might be available to a government, and consequently forms an input to the government's sustainable adjustment effort. This form of assistance is becoming an increasingly important element of the Fund's support of adjustment efforts in a variety of countries.

Technical assistance has been provided in several transition economies (for example, Belarus, Kyrgyzstan, and Ukraine) to develop measures to support subsidy reduction and to assist with the restructuring of the public sector. Countries facing severe budgetary imbalances as a result of major social security programs, or that are considering major reforms to existing measures, have increasingly turned to the Fund for advice. Such assistance in the area of pensions has been given to Greece, Indonesia, the states of the former U.S.S.R. and to Brazil, Bolivia, and other Latin American countries. In this way, work on formal social security instruments complements efforts that are made in the area of social safety nets, which are related more to the adjustment and transition period.

Policies in Member Countries

Of the 11 countries for which the Fund approved new stand-by arrangements during 1992/93, 4 were in Central and Eastern Europe (Albania, the Czech Republic, Poland, and Romania); 3 were the Baltic states (Estonia, Latvia, and Lithuania); and 1 was a state of the former Soviet Union (Russia). The other three members for which stand-by arrangements were approved were Costa Rica, Guatemala, and Uruguay. Arrangements under the extended Fund facility were approved for Jamaica, Peru, and Zimbabwe. A SAF arrangement was concluded with Ethiopia, and ESAF arrangements were concluded with Benin, Burkina Faso, Equatorial Guinea, Honduras, Mali, Mauritania, Nepal, and Zimbabwe. Pakistan received emergency assistance, and Moldova obtained financing from the CCFF.

The collapse of *Albania's* system of central planning and rigid economic controls has been accompanied by a breakdown of most governmental institutions. Since 1990, the downward spiral of the economy has worsened, and financial and external imbalances have widened dramatically. In spite of these very difficult conditions, the new Government has embarked on a comprehensive reform program to rebuild essential institutions, re-establish financial stability, and move toward a market-based economy. It has implemented a threefold strategy centering on price reform, liberalizing the exchange and trade system, and bringing domestic demand in line with available resources. The 1992–93 program aims at stabilizing output in 1993, with emphasis on an early revival of agriculture; a reduction in monthly inflation to 2–3 percent by mid-1993, from 6 percent in June 1992; and a gradual building up of the country's international reserves. On August 26, 1992, the Fund approved a one-year stand-by arrangement for SDR 20 million in support of the Government's economic and financial program.

To address *Benin's* continuing economic problems, the authorities adopted a medium-term program for 1992–95 aimed at further reducing financial imbalances and accelerating the diversification of the economy. The Fund approved a three-year ESAF arrangement for Benin of SDR 46.95 million on January 25, 1993.

The first year's (1992–93) program supported by the ESAF aims at real GDP growth of 4 percent in 1993, an inflation rate of 3 percent, and a further improvement in Benin's external payments position. The Government intends to reduce its overall budget deficit (on a commitment basis) to 6.7 percent of GDP in 1993 by broadening the tax base and rationalizing public spending. Monetary and credit policies are designed to support the program's overall objectives while increasing the volume of credit available to the private sector.

Burkina Faso, in early 1991, initiated a significant reorientation of economic policies and considerable progress was made in the area of macroeconomic and structural policies. In contrast, economic developments in 1992 were disappointing as a number of external and political factors combined to slow the growth of domestic output and incomes, worsen public finances, and weaken the external position.

On March 31, 1993, the Fund approved an ESAF arrangement for Burkina Faso of SDR 48.62 million to support its economic and financial program for 1993–95, which aimed at achieving an average annual growth rate of real GDP of 3–4 percent, reducing progressively the fiscal deficit from an estimated 6.1 percent of GDP in 1992 to about 2.8 percent of GDP in 1995, limiting the rate of inflation to some 2½ percent a year, and reducing the external current account deficit to roughly 14 percent in 1995.

Since mid-1990, *Costa Rica* has been implementing an economic and financial program, supported by the Fund, to reduce imbalances in the economy and improve growth prospects through greater reliance on market forces. Preliminary data for 1992 indicate that real GDP increased by more than 7 percent owing to a resurgence in private consumption and strong growth of private investment; unemployment was reduced; inflation declined to 17 percent from 25 percent in 1991; and there was a larger-than-expected increase in Costa Rica's net international reserves.

On April 19, 1993, the Fund approved a stand-by arrangement of SDR 21.04 million over ten months to support the Government's 1993 program, which aims at achieving GDP growth of about 4 percent, further reducing inflation, and increasing net international reserves. The program also expands the scope of the Government's social safety net with financing from the Inter-American Development Bank and bilateral donors.

As the *Czech Republic* emerged as a new nation on January 1, 1993, following the dissolution of the former Czech and Slovak Federal Republic, its official reserves fell sharply to only about two and a half weeks of imports. Assuming that trade relations with the Slovak Republic are normalized, the Czech Republic's 1993 economic program envisages economic activity increasing by 1–3 percent, with an early contraction offset by strong growth later in the year. Consumer price inflation is expected to be limited to about 15 percent, even after taking into account the impact of about 6 percentage points expected from the introduction of the value-added tax in January.

On the structural side, a second wave of large-scale privatizations will involve about 900 companies, with about one third to be privatized through voucher distribution to the adult population at a nominal fee. Privatization of small enterprises was mostly completed by the end of 1992, with 22,000 units sold. The Fund's support of the Government's program for 1993/94 consists of a one-year stand-by arrangement (for SDR 177 million, approved on March 17, 1993) to provide an early boost to reserves, as well as strengthen confidence in the appropriateness of the authorities' policies.

On February 3, 1993, the Fund approved a three-year ESAF loan for *Equatorial Guinea* equivalent to SDR 12.88 million to support its economic and financial program for 1993–95. The objectives of the program are to increase the rate of economic growth to about 7 percent a year, hold inflation to about 3 percent a year, and achieve external viability by substantially reducing the external current account deficit. To these ends, the medium-term program relies on further reducing financial imbalances and accelerating the diversification of the economy. The overall fiscal balance (on a commitment basis and excluding foreign-financed public investment) is projected to shift from a deficit of 2.1 percent of GDP in 1992 to a surplus of 2.6 percent of GDP by 1995. Monetary policy is designed to contain pressures on prices and on the balance of payments. The program also includes a broad range of structural measures, covering agriculture, forestry, fishing, public administration, and public enterprise reform, as well as restructuring of the financial sector.

In order to assist the more vulnerable groups, the authorities are also committed to strengthening the education system, basic health services, as well as nutrition and food security, and enhancing the role of women in economic activities and the role of farmers. In addition to the already established poverty alleviation fund, the authorities' strategy for the long term is to generate broadly based growth in employment and incomes to combat poverty.

The *Estonian* economy has experienced a severe contraction, not only because of the collapse of the command economy at home but also because of a sharp reduction in trade with the states of the former U.S.S.R. and the need to adjust to a substantial worsening of the terms of trade arising from the shift of energy prices toward world market prices. Recognizing the need for additional measures to stabilize and restructure the economy, the Government adopted a comprehensive economic program for the year beginning July 1, 1992.

The program seeks to limit the fall in real output to 15 percent during the program period, slow the annual rate of inflation to about 6 percent by the end of the period, and raise Estonia's gross foreign reserves by mid-1993 to a level equivalent to more than two months of imports.

The authorities hope to stabilize the economy through completion of price reform, restrictive fiscal policies, maintenance of monetary discipline, a tax-based incomes policy to contain excessive wage increases, and further liberalization of the exchange and trade system. The structural reform efforts will include accelerating privatization and improving the social safety net. The Fund is supporting the Government's stabilization and reform program under a one-year stand-by arrangement for SDR 27.9 million, approved on September 16, 1992.

Since the mid-1970s, *Ethiopia's* economy has been devastated by civil conflict, centralization of economic management, suppression of market forces, and recurrent droughts. Average annual economic growth of about 1.5 percent and a population expansion of about 2.9 percent a year have led to a steady decline in living standards.

In mid-1991, Ethiopia began to introduce a decentralized political system and to implement major economic and structural reforms to restore growth, contain inflation, and reduce internal and external imbalances. The authorities have devalued Ethiopia's currency and eased the remaining constraints on exports and import licensing. Prices have been freed for most goods, military spending has been reduced, and other public sector outlays contained. The structure of interest rates has been liberalized to facilitate the realization of positive real interest rates.

In the context of the Government's medium-term policy framework for 1992/93–1994/95, which is supported by a three-year arrangement of SDR 49.42 million under the SAF, approved on October 28, 1992, emphasis is being placed on removing the remaining cost-price distortions, improving incentives, promoting private enterprise and exports, and progressively liberalizing the economy. This strategy requires continued shifting of the Government's role in the economy from central control to the promotion of a market-oriented environment.

To mitigate the short-run costs of adjustment, the authorities have designed a number of programs, including a public service pay adjustment to cover the increase in food costs caused by the devaluation, assistance to retrenched public sector employees, a food and kerosene cash voucher scheme targeted toward the poorest urban groups, and a pilot labor-based public works program.

During the first part of 1992, the pace of economic activity in *Guatemala* accelerated and inflation remained subdued, but the balance of payments position weakened owing to a steep decline in international coffee prices and a surge in imports prompted by a sharp increase in bank credit to the private sector. Under these circumstances, the authorities decided to strengthen the adjustment efforts initiated in 1991. Their economic program for 1992–93, in support of which the Fund, on December 18, 1992, approved a stand-by arrangement for SDR 54 million over 15 months, is designed to achieve real economic growth of 4–5 percent in 1992 and 1993, limit the rate of inflation to about 11 percent in 1992 and 6 percent in 1993, and strengthen the balance of payments.

The program focuses on consolidating the public finances as the key instrument for achieving the price and balance of payments targets. Thus, it seeks to lower the overall public sector deficit from 1.2 percent of GDP in 1991 to 0.8 percent in 1993, mainly through tax reform and improvements in tax collection, but also through strengthening the finances of state enterprises, particularly the state electricity company. Monetary policy is being tightened, and exchange rate policy is being geared to maintaining an adequate level of external competitiveness. The value of the quetzal continues to be determined by the exchange auction system established in November 1990.

The program also envisages trade and financial sector reforms. In the trade area, most of the remaining nontariff barriers will be removed. In the financial sector, the Government intends to revise prudential regulations, strengthen bank supervision, and address the financial and management problems of state-owned banks.

Since 1990, the Government of *Honduras* has been implementing an economic program to reduce financial imbalances and establish a macroeconomic framework conducive to sustained economic growth and balance of payments viability. In April 1992, Honduras became the first of the 11 countries the Fund added to those eligible to borrow from the ESAF to make use of the facility. The Government's 1992–95 program, which the three-year ESAF arrangement of SDR 40.7 million approved on July 24, 1992 supports, is designed to continue the authorities' stabilization efforts and to consolidate and deepen the structural reforms initiated in 1990. The program seeks to increase real GDP growth to 4.5 percent a year, reduce inflation to international levels, and further strengthen the balance of payments to the point where exceptional financing will no longer be required after 1995.

In 1991/92, *Jamaica* experienced some difficulties in short-term financial management. The annual rate of economic growth decelerated to about 1 percent, and the rate of inflation increased to almost 70 percent, from 25 percent in the previous year. However, corrective fiscal and monetary policy actions adopted in late 1991 led to a reduction in inflation. During the year, the authorities implemented a major liberalization of the exchange system, introduced a value-added tax, instituted an automatic public sector pricing mechanism to allow for full cost recovery, and strengthened their privatization efforts.

The Fund approved on December 11, 1992 an arrangement under the extended Fund facility for Jamaica, authorizing drawings of up to the equivalent of SDR 109.13 million over the next three years in support of the Government's economic and financial program. The program aims at raising the rate of economic growth to 3–3½ percent a year, reducing the rate of inflation to bring it more in line with Jamaica's major trading partners in 1994 and beyond, and strengthening the country's international reserve position. The program also seeks to achieve external viability by lowering Jamaica's debt burden and eliminating the need for exceptional financing.

To these ends, public sector saving will be raised, and the overall public sector balance is targeted to rise from near zero in 1991/92 to a surplus of 3½ percent of GDP in 1995/96 through a combination of revenue enhancements and expenditure restraint. Monetary policy is to be consistent with the inflation and balance of payments objectives of the program and envisages greater use of treasury bills to prevent sharp fluctuations in liquidity.

Important steps have already been taken by *Latvia* toward developing a market economy against a background of an unfavorable external environment, but the authorities recognize that further measures will be necessary to stabilize the economy and obtain the external financing necessary to ensure a successful completion of the transformation process. With this in mind, they have formulated a comprehensive economic program for the year ending June 1993, supported by a Fund stand-by arrangement (for SDR 54.9 million, approved on September 14, 1992). The main elements of the program include continued liberalization of prices and of the exchange and trade system, together with a number of systemic reforms that include accelerating the privatization process to reduce the role of the Government in the economy.

Despite an unfavorable external environment, the *Lithuanian* Government has taken important steps to transform its economy into a market-based system, to establish macroeconomic stability, liberalize prices, and privatize the state sector, and to maintain a disciplined fiscal policy and reform the banking system. The Government's comprehensive program for the year ending June 1993, which is supported by a Fund stand-by arrangement (for SDR 56.93 million, approved on October 21, 1992), is to stabilize the economy and adjust quickly to the deterioration in the external terms of trade. The authorities are determined to maintain sound fiscal and monetary policies supported by a restrictive incomes policy. The program further seeks to slow down the monthly rate of inflation to about 2 percent by the end of the program period and to limit the fall in real GDP to about 22 percent for the program year. A number of major structural reforms, including strengthened budgetary control and the privatization of state enterprises, are also envisaged.

The Government of *Mali* adopted a medium-term adjustment program covering the period July 1992–June 1995. Supported by a three-year ESAF arrangement approved on August 28, 1992 for SDR 60.96 million, the program aims to restore economic growth, maintain low inflation, and achieve a viable external position through restrained fiscal and monetary policies, and a further deepening of ongoing structural reforms. It also aims to reduce the overall fiscal deficit by improving tax collection, raising additional revenues, and containing expenditure. Monetary policy will increasingly rely on indirect instruments, maintenance of positive real interest rates, and reinforced banking supervision.

The Government is designing policies that will benefit the poor while improving its capacity to identify the most vulnerable among them. In the short term, it will focus on reducing the social costs associated with some of the adjustment measures, including a safety net to assist public sector workers who lose their jobs. The authorities also plan to strengthen basic health care and increase the enrollment ratios in primary schools.

Mauritania made significant economic gains in the late 1980s, but since 1990 its economic and financial situation has deteriorated. To address this problem, the authorities have formulated a medium-term strategy to achieve an average growth rate of 3.5 percent a year, reduce the inflation rate to 3.5 percent a year by 1995, and cut the external current account deficit (excluding official transfers) to 7.6 percent of GDP by 1995. A key element of the strategy, which involves strengthening macroeconomic management and deepening structural reforms, was the adjustment of the ouguiya's external value in October 1992 (by 27 percent vis-à-vis the U.S. dollar) so as to restore the competitiveness of the export sector, strengthen the financial position of mining, and diversify and improve the performance of agriculture.

The Fund approved an ESAF arrangement equivalent to SDR 33.9 million on December 9, 1992 (to be disbursed in two years) in support of Mauritania's economic and financial reform program.

Moldova, which became a member of the Fund on August 12, 1992, made its first use of Fund resources under the cereal component of the CCFF. The request for a credit of SDR 13.5 million, approved on February 3, 1993, was prompted by a major failure of the cereal crop.

At its meeting in Washington on April 27–28, 1992, the Interim Committee called for efforts to alleviate the effects of the drought in southern Africa and to protect the courageous policy adjustments under way in countries in the region. The Managing Director told the Committee that the Fund, in responding expeditiously, needed to provide policy advice and, if warranted, financial assistance through its existing facilities.

In its first provision of financing related to the drought, the Fund approved, on June 10, 1992, an increase in the amount of a loan to *Mozambique* under that country's second annual ESAF arrangement by SDR 15.3 million. The Fund had approved a three-year ESAF totaling SDR 85.4 million for Mozambique in June 1990.

Nepal's medium-term reform program aims at sustained economic growth through an enhanced role for the private sector, based on a stable financial environment that places increased reliance on market mechanisms, with the public sector providing physical and social infrastructure with the support of the international donor community. The success of this strategy relies on a number of factors, including tight fiscal and monetary policies to curb inflation and protect competitiveness; improved public administration; a streamlined and efficient public enterprise sector; an increase in public savings and improvement in public resource management; and a positive response by the private sector to trade, industrial, and financial sector reforms.

To support the Government's medium-term economic program, the Fund approved, on October 5, 1992, a loan of SDR 33.57 million for the next three years under the ESAF.

The Fund approved, on November 25, 1992, a request for emergency assistance by *Pakistan* of SDR 189.55 million to assist in meeting immediate foreign exchange requirements in the wake of floods that caused widespread destruction in the country during September 1992.

The Government's immediate policy response to the flood damage emphasized emergency rescue operations, provision of food and temporary shelter, and containment of the risks of disease. This is being followed by the implementation of a comprehensive relief and rehabilitation effort to be consistent with the authorities' ongoing reform and adjustment program. The program, launched in 1989 and supported by the Fund under the SAF, has had beneficial effects on the economy. Its objective is to establish the conditions for high economic growth over the medium term in the context of domestic and external financial stability. Such a sound macroeconomic framework would provide a strong basis for sustainable improvements in Pakistan's social and environmental conditions.

Following a period of declining per capita income and accelerating inflation in *Peru,* the Government that took office in August 1990 moved rapidly and successfully to stabilize the economy. Under the authorities' macroeconomic and structural adjustment program, inflation fell from 7,600 percent in 1990 to 57 percent in 1992, international reserves increased, and the public sector deficit was reduced from 6.5 percent of GDP in 1990 to 2.5 percent in 1992. However, while GDP grew by some 2½ percent in 1991 for the first time in several years, this was offset by a decline in 1992 caused by a severe drought. Economic stabilization has been accompanied by structural reforms in taxation, social security, public enterprises, the banking system, and in the legal environment for foreign direct investment. The Government has also made substantial progress in re-establishing relations with foreign creditors.

The medium-term economic program currently being supported by the Fund is based on the continued pursuit of market-oriented policies and aims to consolidate the gains made since Peru launched its economic stabilization program. The program envisages real annual GDP growth of 3½ percent for the period 1993–95, a single-digit rate of inflation by the end of the program, and a broadening of the scope of structural reforms to provide the basis for sustained economic growth and progress toward external viability. The macroeconomic strategy is based on prudent fiscal and monetary policies, supported by structural reforms, including those needed to stimulate private sector savings and investment. The program also envisages measures to protect the poorer segments of the population.

Peru intends to normalize the external debt situation with commercial creditors through market-based debt and debt-service reduction. Recognizing the seriousness of Peru's efforts to strengthen its economy, Paris Club creditors agreed in May 1993 to reschedule debt-service payments falling due during a three-year period.

The Fund lifted, on March 18, 1993, Peru's ineligibility to use the institution's general resources and approved a three-year arrangement for Peru under the extended Fund facility, authorizing drawings up to the equivalent of SDR 1,018.1 million through March 17, 1996 to support the Government's medium-term economic program. Approval of the arrangement follows Peru's successful completion of a rights accumulation program with the Fund, in effect between September 1991 and December 1992, and the clearance of its arrears to the Fund.

Since *Poland* adopted a sweeping economic reform program on January 1, 1990, much has been achieved, although the transformation to a market economy has been more difficult than anticipated. The decline in output during the first two years of reform was dramatic, and building the institutions necessary to underpin a market economy has proven to be arduous and time consuming. Nevertheless, in 1992, inflation slowed further, industrial production rebounded strongly, the trade balance strengthened, international reserves increased, and the private sector continued to flourish.

To achieve its program objectives, the Government aims to reduce the state budget deficit to 5 percent of GDP in 1993 from 7.2 percent in 1992 through a combination of measures, including expenditure reforms and an overhaul of the tax system, that are designed to control inflationary pressures and encourage investment to expand the growth potential of the economy. The Fund is supporting the Government's economic and financial program under a one-year stand-by arrangement for SDR 476.0 million, approved on March 8, 1993.

Although *Romania* made significant progress in liberalizing the economy during 1991, the main objectives of the Government's program could not be achieved because of the difficult external environment and a shortfall in external financing. To attain the objectives of their 1992 economic program, the authorities intend to maintain prudent fiscal and monetary policies and an appropriate interest rate policy; pursue a tight incomes policy; and follow a flexible exchange rate policy. The fiscal deficit was to be limited to 2 percent of GDP, while monetary policy was designed to contain inflationary pressures that could result from further price liberalization. The Romanian authorities regard the privatization of state-owned assets as essential for building a market-based economy, strengthening the financial discipline of enterprises, and improving their productivity and efficiency. The Fund provided support for the Government's economic program under a 10-month stand-by arrangement for SDR 314.04 million, approved on May 29, 1992.

Building on the comprehensive framework set out in the Memorandum of Economic Policies submitted to the Fund in March 1992, the ***Russian*** Government's stabilization and reform program was supported by a five-month stand-by arrangement in the first credit tranche (for SDR 719 million, approved on August 5, 1992). The program's major goal was to contain and reduce inflationary pressures during the remainder of 1992 and to reinforce ongoing efforts at structural reform. Macroeconomic policies were designed to reduce the budget deficit in the second half of 1992 by approximately 11.5 percent of GDP from the deficit that would have prevailed had no new measures been taken.

During the second half of 1992, the Government was committed to accelerating structural change in the areas of enterprise reform, privatization, antimonopoly and pro-competition policy, financial sector reform, and agricultural sector reform. The Russian authorities are committed to protecting the most vulnerable groups of the population during the economic transformation period, while ensuring that social safety net expenditures are consistent with macroeconomic stabilization.

Uruguay's 1992–93 government economic program seeks to reduce inflation, increase net international reserves, consolidate gains made in the fiscal area, and continue structural reforms to create the basis for sustained growth in output over the medium term, with reasonable price stability and external viability. A key element of the program, in support of which the Fund approved a one-year stand-by arrangement for SDR 50.0 million on July 1, 1992, is a renewed effort to break with backward-looking wage and price indexation to reduce the momentum of inflation. Fiscal, monetary, and exchange rate policies are designed to support this effort. As a result, GDP growth was about 8 percent in 1992, compared with 1 percent assumed under the program.

In early 1992, ***Zambia***, like most of southern Africa, was hit by a severe drought. Despite this difficult situation, the Government implemented a series of key measures necessary to re-establish economic stability and set the stage for economic recovery. Subsidies will no longer place a major burden on the budget; fertilizer subsidies have been eliminated and maize meal prices increased. A fundamental reform of personal taxation has been implemented—an essential step to establishing a viable tax system; and important actions have been taken to liberalize the exchange system and encourage non-copper exports.

In line with the rights approach endorsed by the Interim Committee in May 1990, the Fund on July 17, 1992 approved the accumulation of rights for Zambia for up to a maximum of SDR 836.9 million, the level of its arrears to the Fund as of July 1, 1990. Upon successful implementation of this program, which runs through March 1995, and prior clearance of the arrears, as well as meeting all other requirements for using Fund resources, Zambia would be eligible to "encash" the accumulated rights under a fresh Fund arrangement. Commending Zambia for the continuation of impressive progress in structural reform, the Board, on April 19, 1993, endorsed Zambia's rights accumulation program for 1993.

To rectify the adverse effects of the drought on its 1992 macroeconomic performance, ***Zimbabwe*** adopted a medium-term program of fiscal, monetary, pricing, and other structural measures. To support the 1992–95 economic reform program, the Fund on September 11, 1992 approved use of its resources by Zimbabwe totaling SDR 315.2 million over the next three years. Of the total, SDR 200.6 million may be drawn under the ESAF and SDR 114.6 million is available under the extended Fund facility. (An earlier extended arrangement approved in January 1992, before Zimbabwe became eligible to use ESAF resources, was canceled on September 10, 1992; SDR 71.2 million had been drawn.)

The Government's program for 1992/93 is geared toward containing the external and domestic imbalances caused by the drought, as a basis for achieving satisfactory economic growth over the medium-term, restoring economic stability, and progress in implementing structural reforms. The strategy relies on a tight fiscal policy stance, requiring strict limits on recurring and non-drought-related expenditures. Monetary policy aims at maintaining tight liquidity conditions and keeping interest rates at positive real levels.

Financing for Developing Countries and Their Debt Situation

A number of countries have made substantial progress toward resolving their debt difficulties, and at a September 1992 review Directors saw this progress as welcome confirmation of the effectiveness of the debt strategy that had been implemented and adapted over the past decade. Directors considered that the instruments and approaches in place or under active consideration by creditors increased the potential for a comprehensive resolution of the debt problem. They noted, however, that the international environment needed to remain broadly supportive of the efforts made by the indebted countries, and, for their part, the debtors must persevere with their own strong adjustment efforts.

Despite several successful efforts, however, many individual countries were still far from a solution to their debt problems, and Directors stressed that these cases would require continuing attention from the international community as well as sustained efforts on the part of the debtors. Given the diversity of cases, several Directors noted that the Fund's involvement in the debt strategy should continue to be conducted through a flexible and prudent application of the guidelines.

In their discussion of specific elements of the debt strategy, Directors were heartened by the recent progress made in bank restructuring agreements, opening the way for such agreements to be reached by those rescheduling countries that accounted for the major portion of the bank debt. Several countries, however, had yet to make much progress toward normalizing their relations with their bank creditors; Directors stressed that efforts should be made on both sides to advance the process. For these countries, sustained policy implementation was a requisite for creating an environment in which debt operations could help to achieve external viability. There was a possibility, however, that immediately available resources for financing a comprehensive debt package might fall short even in cases where the country had established a creditable track record. In these cases, phased debt operations might be a possibility, and, in fact, Directors pointed out that progress toward such phased operations had been made in at least one important case. This approach, however, might not be generally applicable.

Directors stressed that debtor countries needed to demonstrate their commitment to regularizing relations with their bank creditors by establishing a good payments record, which would mean devising financing plans that allowed for such payments to be made.

Combining new financing with cash-flow relief—a strategy pursued by bilateral official creditors—had been successful in an increasing number of middle-income countries that had exited, or had good prospects for, exiting from the Paris Club rescheduling process. However, as many Directors noted, this strategy might not work as well for a few lower-middle-income countries with particularly difficult debt problems. For these countries to make major progress toward external viability, both a restructuring of their commercial bank debt and special treatment of their obligations to bilateral official creditors would probably be necessary. Creditors should be encouraged to design approaches that would provide these countries with prospects of an exit from the rescheduling process on the basis of strong and sustained adjustment efforts.

Directors noted that official bilateral creditors and donors have provided low-income countries with financial support on a sustained and increasingly concessional basis. In particular, Directors welcomed the Paris Club's recent adoption of enhanced concessions, and its readiness to consider stock of debt operations for debtor countries that perform successfully for three to four years. Such agreements that take account of the diversity of country circumstances, combined with positive moves toward normalized relations with private creditors, could substantially enhance the prospects of a return to external viability. These prospects for external viability were of particular relevance to the Fund, since they were a major consideration in the decision to support countries seeking to establish the track record that would enable them to exit from Paris Club restructuring. Directors noted, in this context, the growing importance of ESAF and ESAF-type Fund support.

Although welcoming the resumption of private capital flows to several developing countries, Directors noted the importance of sound economic policies in the recipient countries. It was also important that the flows were accompanied by adequate information and the matching of risk and returns. Directors suggested that the Fund might be able to play a role in the dissemination of such information.

The benefits to be derived from the resumption of capital flows could be further enhanced by institutional reforms that improved the availability of information and offered adequate investor protection. A number of Directors suggested that creditor countries might consider further modifying regulatory and tax regimes in countries whose creditworthiness had improved. Finally, those highly indebted countries that had avoided debt-servicing difficulties deserved the recognition and support of the international financial community.

It was decided that the Board would henceforth review debt and external financing issues on an annual, rather than a semiannual, basis. Pressing or significant developments would, of course, be given attention as the need arose.

Technical Assistance and Training

Three factors are critical in explaining the rising demand for technical assistance and training provided by the Fund. First, the rapid increase in membership, following the dissolution of the former Soviet Union and the accompanying moves toward political and economic liberalization in Central and Eastern Europe; second, the massive needs for training and assistance associated with the shift from centrally planned to market-oriented economies; and third, the increase in the number of countries with Fund-supported programs, and the acceleration of structural reforms in many member countries, which require higher levels of local expertise in economic and financial management.

Working with member countries, the Fund has underscored the importance of training as a key element in helping its members formulate and implement financial and economic policies that sustain their reform efforts and lead to noninflationary growth. This involves close collaboration with officials in member countries, as well as with multilateral, regional, and national institutions, to identify the best means of transferring knowledge and experience in the shortest possible time, while supporting or helping to create local or regional bodies that would eventually take on most of such training. An example of this collaboration was the creation of the Joint Vienna Institute in September 1992 as a cooperative venture of the Fund and other international organizations to train officials and private sector managers from former centrally planned economies.

Meanwhile, the continued need of other countries for training in macroeconomic management and specific technical areas, such as central banking, public finance, and statistics, has been met with expanded national and regional training seminars, as well as with greater collaboration in the case of African training institutions. The possibility of setting up a special training center for eastern and southern Africa is also under consideration.

In August 1992, a Technical Assistance Secretariat was set up in the Fund to advise management on all aspects of technical assistance and to provide a focal point for the coordination of technical assistance, both within the Fund and with other international agencies. (See Appendix III for full details of Fund technical assistance and training activities.)

IMF Institute

The IMF Institute continues to provide training for officials from member countries through residential and generally longer-term courses at its headquarters and at the Joint Vienna Institute; shorter courses and seminars in the field at either the national or regional level; lecturing assistance for other training institutions; and briefings for visiting groups in Washington. In addition to close collaboration with area departments, the Institute helps organize and administer training courses and seminars offered by the Monetary and Exchange Affairs, Fiscal, Legal, and Statistics Departments.

During 1992/93, the Institute offered 13 courses and 3 seminars for officials at Fund headquarters and 8 courses and a seminar at the Joint Vienna Institute, training a total of 816 persons in a wide range of subjects. These residential programs were complemented by 21 external training courses and 12 seminars for senior officials, and lecturing assistance for six other training institutions. Given the urgent need of the economies in transition for training in market economics, the main emphasis was put on providing their officials with instruction and advice. Six training courses were organized within the former U.S.S.R. and Central and Eastern Europe, while more than half the external seminars were held in the same group of countries. At the same time, the Fund continued to pay attention to its other members, particularly those in Africa, and organized seminars for senior officials as well as shorter courses on financial programming at the country and regional level.

In meeting its mandate on the delivery of training to members, the Institute has sought to enhance its effectiveness by working closely with other agencies and donors interested in supporting such activities. Traditionally, the Fund has financed all costs associated with the Institute's training in Washington. This remains unchanged. The rise in need and the demand for overseas training has led the Institute to collaborate with other donors through cofinancing by local, regional, or multilateral sponsors. The Joint Vienna Institute is a prime example of such cofinancing. Its costs during the first year of operation were shared by six international organizations and a number of national donors, including the host country, Austria, which provided the site for the Institute and other logistical support.

An important element in the Institute's approach to training is to impart instruction to trainers and provide help to other training institutions, thereby adding to the indigenous capacity of countries in the area of macroeconomic and financial management. Training is geared to local needs in terms of its content as well as duration.

Fiscal Affairs Department

The provision of technical assistance by the Fiscal Affairs Department increased substantially. As in the previous year, the increase was in large part accounted for by an expansion of assistance given to the states of the former Soviet Union and the Baltic states. But the department also remained heavily involved in providing technical assistance to Africa and Asia—where the volume of assistance again rose. In 1992/93, 109 countries were provided with assistance. There were 258 advisory missions and other short-term assignments by staff, headquarters-based consultants, and panel experts, and 41 long-term assignments by panel experts. In total, technical assistance activity was some 30 percent higher than in 1991/92. Externally financed assignments, principally by the UNDP-Japan Administered Account, also continued to expand; these accounted for almost 50 percent of the total funding for panel experts on short- and long-term assignments.

The department's technical assistance activities were principally concentrated in the areas of tax policy, tax and customs administration, treasury systems, budgetary accounting, public expenditure management, social safety nets, and social security. The design of computerized systems and training have assumed increasing importance in most of these areas. Requests for such assistance were met from a wide spectrum of members, including many from countries in the process of moving to a market-based economy.

Legal Department

The Legal Department continued to provide technical assistance in the central and general banking, foreign exchange, and fiscal areas. This assistance included drafting legislation, reviewing draft legislation, and providing overall legal advice. Much of this assistance was directed to members that were in the process of transforming their centrally planned economies and were seeking expertise regarding the legal steps that must be taken for this process to be successful.

Monetary and Exchange Affairs Department

During the financial year, the Monetary and Exchange Affairs Department continued to provide assistance to Africa, Asia, and Latin America and expanded its intensive technical assistance efforts in Eastern European and the former Soviet Union states. The 60 advisory missions and more than 300 expert trips to these countries accounted for a substantial majority of the department's technical assistance activities. Following the pattern established in Bulgaria, Poland, and Romania, the department has formed teams of staff and experts to develop and implement comprehensive programs of technical assistance aimed at establishing and modernizing central banks in each of the newly emerging countries. Twenty-three cooperating central banks have joined with the department to provide more than 125 staff to participate in these teams. While a broad range of subjects has been covered, particular focus has been given to monetary policies and operations, banking supervision, currency issue, foreign exchange, payment and settlement systems, and accounting. In the latter two areas, the department developed and delivered technical assistance workshops for officials from throughout the former Soviet Union.

These programs have required a substantial amount of collaboration—both with member countries' central banks and with other international organizations, such as the Bank for International Settlements, the EC, and the OECD. To support both the growth in the department's technical assistance program and its expanded responsibilities in the areas of policy review and analysis, jurisdiction, and surveillance, substantial efforts were made to strengthen staff resources in specialized areas, such as payments systems, and to recruit staff for the department's new divisions. With a full complement of staff, the department will focus in the coming year on consolidating its technical assistance coordination and delivery functions and on fulfilling the mandate of its new areas of responsibility.

Statistics Department

The needs of the countries of the former Soviet Union and Central and Eastern Europe continued to absorb a substantial proportion of the resources of the Statistics Department devoted to technical assistance. As a group, these countries received about 73 percent of all the technical assistance provided by the department during the year. This assistance ranged from multitopic assessment missions and longer-term plans for the establishment of market-oriented statistical systems in these countries to single topic follow-up missions that provided intensive hands-on training and assistance in the implementation of such systems. Of the 106 single and multitopic technical assistance missions conducted by staff and consultants, 77 were to former centrally planned economies, of which 67 were to states of the former Soviet Union. These missions involved about three fourths of total staff and headquarters-based consultant trips during the year and most of the trips undertaken by outside experts on behalf of the Fund. In addition, a significant amount of technical assistance was provided through participation of staff of the Statistics Department in 27 missions of other departments, 23 of which were former Soviet Union states, compared with 16 such missions during 1991–92. The department also undertook external training seminars for officials from Central and Eastern Europe and from the former U.S.S.R.

The work of the high-level interagency Steering Committee on the Coordination of Technical Assistance in Statistics to the states of the former Soviet Union continued in 1993. Meetings of the Committee were held in June and November 1992 and January 1993. The Committee has established focal-point responsibilities for participating international organizations, designed to ensure a coordinated strategy for the provision of technical assistance in specified areas. The Chairman of the Committee has also consulted bilateral providers of technical assistance to keep them abreast of the Committee's activities and to encourage the coordination of their assistance with the Committee's focal-point agencies. An important aspect of this cooperative effort is the development of a data base by the Fund for the Committee. The data base will provide interactive access to technical assistance activities either completed or planned by the members of the Committee and participating bilateral agencies, thereby facilitating technical assistance planning and avoiding duplication of effort.

Treasurer's Department

The Treasurer's Department provides technical assistance to members on the establishment and maintenance of the Fund accounts, and on matters related to operations and transactions by members, including quota payments. Such technical assistance missions increased sharply in 1992/93, primarily reflecting the needs of the new members from the former Soviet Union. A total of ten missions were sent to eight states of the former Soviet Union to provide assistance in establishing the Fund accounts and conducting financial transactions with the Fund. Other missions provided training on the Fund's financial organization and operations and on the accounting for financial operations and transactions with the Fund.

Fund Financial Operations and Policies

The expansion of Fund membership to 177 countries and the coming into effect of the quota increases under the Ninth General Review, which increased quotas by 50 percent, raised total Fund quotas from SDR 91.2 billion at the end of April 1992 to SDR 144.6 billion by the end of April 1993. The initial quotas of members that joined the Fund during that period account for SDR 6.2 billion of the quota increase. With the signing of the Articles of Agreement by Micronesia on June 24, 1993, total membership rose to 178 members. The Board revised the Fund's access limits on the use of its general resources so as broadly to maintain potential access to Fund resources for the membership. Actual access within the new limits will continue to depend on the circumstances of members and the strength of their adjustment efforts.

When the increase in Fund quotas became effective, the Fund terminated its enlarged access policy, under which the Fund had, since 1981, borrowed from official sources to supplement its own resources and to finance members' purchases. In October 1992, the General Arrangements to Borrow, along with the associated borrowing agreement with Saudi Arabia, were renewed for a five-year period from December 1993.

In 1992/93, 11 stand-by arrangements totaling SDR 2.0 billion, and 3 extended arrangements totaling SDR 1.2 billion, were approved. The total level of these commitments, SDR 3.2 billion, was below the comparable figure of SDR 8.1 billion for 1991/92, mainly because of the improved economic performance of many developing countries, particularly in Latin America, while the expected large demand for use of Fund resources from many of the Fund's new members had not yet materialized. Most of the stand-by arrangements were with countries of the former Soviet Union and Central and Eastern European countries, while the extended arrangements were with developing countries in Africa and Latin America. At the end of April 1993, a total of 15 countries had stand-by arrangements with the Fund, with total commitments of SDR 4.5 billion and undrawn balances of SDR 2.5 billion, while the six extended arrangements in effect had commitments of SDR 8.6 billion, of which SDR 2.8 billion remained undrawn. As of the same date, cumulative commitments under SAF and ESAF arrangements totaled SDR 4.6 billion; there were 4 SAF arrangements and 20 ESAF arrangements.

During the financial year, members' purchases from the General Resources Account, excluding reserve tranche purchases, amounted to SDR 5.3 billion, while repurchases amounted to SDR 4.1 billion, resulting in an increase in Fund credit outstanding in the Account for the third year in a row, to SDR 24.6 billion at the end of April 1993. SAF and ESAF disbursements totaled SDR 0.6 billion in 1992/93, bringing cumulative disbursements under the two concessional facilities to SDR 3.7 billion. Two drawings under the new STF had taken place by early July 1993.

In July 1992, the Board extended the commitment period for ESAF Trust loans to the end of November 1993, and in April 1993, the Board began an examination of the operational modalities and funding alternatives for a possible ESAF successor facility of some SDR 6.0 billion to operate over three years through November 1996.

With the payments of quota subscriptions by new members and quota increases by almost all members, the liquid resources of the Fund increased sharply during the financial year. As of the end of April 1993, the Fund's adjusted and uncommitted usable resources totaled SDR 52.2 billion, compared with SDR 20.9 billion a year earlier.

The total allocations of SDRs remained unchanged during 1992/93 at SDR 21.4 billion. There was a significant transfer of SDRs from members to the Fund as a result of the reserve asset payments under the Ninth General Review of Quotas. In April 1993, the Board held a preliminary discussion on the role of the SDR in the provision of international liquidity in order to assess whether there was broad support for an SDR allocation in present circumstances.

Although the amount of overdue financial obligations to the Fund remained high in 1992/93, the sustained implementation of the Fund's strengthened cooperative strategy resulted, for the first time in a decade, in a decline in the level of arrears from SDR 3.5 billion at the end of April 1992 to SDR 3.0 billion at the end of April 1993. One member in protracted arrears, Peru, successfully completed its rights accumulation program and eliminated its arrears to the Fund.

During 1992/93, the Board continued to implement the three key elements—prevention, deterrence, and intensified collaboration—of the strengthened cooperative strategy for dealing with arrears. With the entry into effect of the Third Amendment of the Articles of Agreement, the arrears strategy has been strengthened by a further deterrent measure—the suspension of voting and certain related rights.

For 1993/94 onward, the Board simplified the Fund's schedule of charges by adopting a single unified rate of charge for all use of Fund credit financed through the General Resources Account.

Membership and Quotas

The Fund's membership increased to 177 countries in 1992/93, with Armenia, Azerbaijan, Belarus, Croatia, the Czech Republic, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, the former Yugoslav Republic of Macedonia, the Marshall Islands, Moldova, Russian Federation, San Marino, the Slovak Republic, Slovenia, Switzerland, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan becoming members. In addition, Micronesia became a member on June 24, 1993. Two of the states of the former Socialist Federal Republic of Yugoslavia—the Federal Republic of Yugoslavia (Serbia/Montenegro) and the Republic of Bosnia and Herzegovina—have not yet completed arrangements for succession to membership in the Fund. When these latter two countries have signed the Articles, the Fund will have 180 members.

Ninth General Review of Quotas

An increase in total Fund quotas from SDR 90.1 billion to SDR 135.2 billion under the Ninth General Review of Quotas was proposed by the Board of Governors on June 28, 1990. Increases in quotas were proposed for all members except Cambodia, which, as in the Seventh and Eighth General Reviews, did not participate in the Ninth General Review.

The participation requirement for the Ninth General Review stipulated that members having 70 percent of total Fund quotas as of May 30, 1990 had to consent to their increases in quotas. The Resolution of the Board of Governors also specified that no quota increase could come into effect before the effective date of the Third Amendment of the Articles of Agreement, which provides for the suspension of voting and certain other related rights of members that do not fulfill their obligations under the Articles. On November 11, 1992, the Executive Board determined that the requirements for the Ninth Review of Quotas to come into effect had been fulfilled.

The Board of Governors also decided, in June 1990 as part of the quota resolution, that each member pay to the Fund the increase in its quota within 30 days after its consent or the date of effectiveness of the Ninth Review, whichever was later, provided that the Executive Board could extend the payment period as it might determine. On November 30, 1992, the Executive Board extended the period of consent to the increases in quotas from that date to May 31, 1993, and the original 30-day payment period to 45 days. Subsequently, the consent period was extended first to June 30, 1993, and then to December 31, 1993; the payment period was extended on four occasions and currently stands at 415 days after November 11, 1992 or the date of consent, whichever is later.

A total of 162 out of 177 members completed the payments for their quota increases by the end of April 1993. With these payments and the initial quota payments by new members, total quotas in the Fund rose to SDR 144.6 billion from SDR 91.2 billion at the end of April 1992. Of the remaining members, one member did not participate in the quota review, and nine members have overdue obligations to the General Resources Account and consequently cannot consent to their quota increases. By early July 1993, two of the other five members also had completed their payments.

Members were required to pay 25 percent of their quota increases in SDRs, or in the currencies of other members specified by the Fund, with the concurrence of the issuers, or in any combination of SDRs and such currencies. The balance of the increases was to be paid by members in their own currencies. In cooperation with some members with large SDR holdings, the Fund made it possible for a number of members that did not have sufficient SDRs or foreign exchange holdings to pay the reserve asset portion of their quota increases by borrowing SDRs for that purpose. (Similar arrangements were made at the time of the Eighth General Review of Quotas.) On the same day, they purchased the reserve tranche position created by the payments and used the proceeds to repay the SDR loans. In 1992/93, a total of 77 members borrowed SDR 1.7 billion from 17 other members under this mechanism. No interest, fee, or commission was charged for the use of the mechanism by either the Fund or the lenders.

Payments of quota increases amounted to SDR 47.5 billion in 1992/93, of which 25 percent (SDR 11.9 billion) represented payments of the reserve asset portion. Reserve asset payments made in SDRs equaled SDR 11.3 billion, and payments made in the currencies of other members specified by the Fund totaled SDR 0.6 billion. The reserve asset portion of the quota increases was paid in SDRs by 151 members, in foreign currencies by 8 members, and in a combination of SDRs and foreign currencies by 3 members.

Individual members' quotas in the Fund at the end of April 1992 and April 1993, and the effective date of payment of the increase in the quota of each member, are shown in Appendix Table II.15.

Tenth General Review of Quotas

In accordance with Article III, Section 2(*a*) of the Fund's Articles of Agreement, the Board of Governors must conduct the Tenth General Review of Quotas not later than five years from the original date of completion of the Ninth General Review, that is, not later than March 31, 1993. As required by Rule D-3 of the Fund's Rules and Regulations, the Executive Board must appoint—at least one year prior to the time when a general review of quotas must be undertaken—a Committee of the Whole to study the matter and to prepare a written report. The Executive Board accordingly established a Committee of the Whole for the Tenth General Review of Quotas on March 31, 1992. However, the Committee was not in a position to undertake a substantive review of the issues relating to the Tenth Review by March 31, 1993. In April 1993, the Board of Governors resolved to continue the Tenth Review and requested the Executive Board to complete its work and submit a final report to the Board of Governors not later than December 31, 1994. The work of the Committee will include, as agreed in the Ninth General Review, an examination of the working of the quota formulas to ensure that the formulas take adequate account of all relevant developments bearing on quotas. Preparatory work on these issues has begun.

Fund Liquidity, Borrowing, and Members' Access

The Fund's liquidity position improved considerably with the payments of the quota increases following the effectiveness of the Ninth General Review of Quotas in November 1992, and is at present very comfortable.

The liquid resources of the Fund consist of usable currencies and SDRs held in the General Resources Account. Usable currencies, the largest component of liquid resources, are the currencies of members whose balance of payments and gross reserve positions are considered sufficiently strong to warrant the inclusion of their currencies in the operational budget for use in the financing of Fund operations and transactions (see Box 9). As of the end of April 1993, the Fund's liquid resources amounted to SDR 68.0 billion, compared with SDR 37.4 billion a year earlier, reflecting mainly the inflow of resources from the payments of Ninth Review quota increases. Total usable resources received by the Fund from payments for the increases in quotas amounted to SDR 31.1 billion, of which SDR 9.1 billion was received in SDRs (payments for the reserve asset portion of the increases, net of reserve tranche purchases made in SDRs) and SDR 22.0 billion was received in currencies considered to be sufficiently strong to be used in Fund transactions.

Box 9

Operational Budget

In accordance with principles set out in the Fund's Articles of Agreement, the currencies of members whose external positions are considered to be sufficiently strong are selected by the Board for inclusion in the Fund's operational budget to be used to finance operations and transactions. These currencies are transferred by the Fund to other members experiencing balance of payments difficulties. The issuers of these currencies are obliged to convert them into one of the five freely convertible currencies, if so requested by the member using Fund resources.

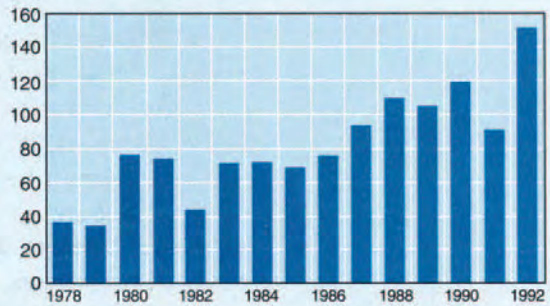
The guidelines governing the use of currencies and SDRs are set by the Board and are implemented through quarterly operational budgets. The present guidelines take into account members' gross holdings of gold and foreign exchange reserves and their reserve tranche positions in the Fund. They also incorporate a floor so that the use of a member's currency will not be carried beyond the point where the Fund's holdings of that currency are two thirds of the average level of its holdings of other members' currencies included in the budget, expressed as a percentage of quota. The Board reviews the guidelines underlying the operational budget from time to time. The most recent review was completed in February 1993. The present guidelines—reproduced in Appendix IV—will be reviewed again by the Board by February 1995.

In assessing the adequacy of the Fund's liquidity, the stock of usable currencies is adjusted downward to take into account the staff's assessment of the need to maintain working balances of currencies and the possibility that the currencies of some members in relatively weak external positions could become unusable in financing Fund operations and transactions. Undrawn balances of commitments of resources are also taken into account in assessing the Fund's liquidity. After these adjustments were made, as of April 30, 1993 the Fund's adjusted and uncommitted usable resources totaled SDR 52.2 billion, compared with SDR 20.9 billion a year earlier.

The Fund's liquid liabilities increased from SDR 25.6 billion as of the end of April 1992 to SDR 33.7 billion as of the end of April 1993, representing primarily an increase in reserve tranche positions from SDR 21.9 billion to SDR 30.3 billion; outstanding borrowing by the Fund decreased from SDR 3.7 billion to SDR 3.4 billion. The ratio of the Fund's adjusted and uncommitted usable resources to its liquid liabilities—

Chart 8

The Fund's Liquidity Ratio
(In percent; end of period)



the liquidity ratio—increased from 81.6 percent to 154.9 percent over the same period. (The evolution of the liquidity ratio since calendar year 1978 is shown in Chart 8.) Thus, following the quota increases under the Ninth General Review of Quotas the Fund's liquidity position has been strengthened markedly, placing the Fund in a position to meet the projected substantial demands on its resources over the next few years while holding adequate liquidity as cover against any encashment of liquid liabilities.

The quota increases under the Ninth General Review enable the Fund to make credit available to its members without the need for borrowing. Accordingly, the enlarged access policy, in effect since 1981, was terminated with the effectiveness of the quota increases. There are no unused credit lines at present, although the Fund can borrow under the General Arrangements to Borrow (GAB), if a need would arise for the type of financing envisaged under the GAB (see Box 10).

The Fund's policy on access and access limits to its resources was reviewed by the Board in October 1992 in connection with the quota increases under the Ninth General Review of Quotas. Access limits in relation to the new quotas were established and became effective when the Ninth Review quotas entered into effect on November 11, 1992 (see Table 3). The new limits, which are temporary in nature, are broadly intended to maintain potential access to the Fund's resources for the membership as a whole.

Financial Operations

During 1992/93, members' purchases from the General Resources Account (GRA), excluding reserve tranche purchases,[4] amounted to SDR 5.3 billion (Table 4). Although the overall level of purchases remained virtually unchanged from the level in 1991/92, there was a significant shift away from purchases under the CCFF and toward purchases under stand-by and extended arrangements. Of the total, SDR 2.9 billion was purchased in the credit tranches and under stand-by arrangements (compared with SDR 2.3 billion in 1991/92), SDR 2.3 billion was purchased under extended arrangements (SDR 1.6 billion in 1991/92), and only SDR 0.1 billion was purchased under the CCFF (SDR 1.4 billion in 1991/92).

The largest purchases were made by Argentina (SDR 1.3 billion),[5] India (SDR 1.2 billion), Russia (SDR 0.7 billion), and Peru (SDR 0.6 billion). An emergency purchase was made by Pakistan for SDR 0.2 billion on account of devastating floods experienced by that country. The regional breakdown shows that purchases by Latin American countries

[4] Reserve tranche purchases were made by 86 members in 1992/93 (SDR 3.2 billion), compared with 3 members (SDR 14 million) in 1991/92. The large increase in reserve tranche purchases was related to the establishment of reserve tranche positions when members paid their increased quota subscriptions under the Ninth General Review. To facilitate these payments, the Fund established, and many members used, a same-day SDR borrowing mechanism to pay the reserve asset portion of the quota increases. Under that mechanism, reserve tranche positions created by the quota payments were purchased in order to repay the member that had lent the SDRs. Reserve tranche purchases represent members' use of their own Fund-related assets and not use of Fund credit.

[5] Including SDR 717 million in support of debt and debt-service reduction operations.

Box 10

General Arrangements to Borrow

Established in 1962, the General Arrangements to Borrow (GAB) permit the Fund to borrow, under prescribed circumstances, from the United States, Germany, Japan, the United Kingdom, France, Italy, Canada, the Netherlands, Belgium, Sweden, and since 1964, Switzerland.

The GAB were originally designed to enable the participants to strengthen the Fund by lending to it specified amounts of their currencies. These loans would be made when supplementary resources were needed to help finance purchases by GAB participants in circumstances where such financing would forestall or cope with an impairment of the international monetary system. Credit lines available until December 1983, specified in national currencies, totaled the equivalent of about SDR 6.4 billion.

The Fund decided to expand the GAB substantially in February 1983: the amount of credit available was increased to SDR 17.0 billion, specified in SDR terms, with an additional SDR 1.5 billion available under an associated agreement with Saudi Arabia. In addition, the GAB were amended, inter alia, to permit the Fund to use the arrangements to finance transactions with nonparticipants under certain conditions on purchases involving upper credit tranche conditionality, in the event that the Managing Director considered that the Fund faced an inadequacy of resources to meet actual and expected requests for financing that reflected the existence of an exceptional situation associated with balance of payments problems of members of a character or aggregate size that threatened the stability of the international monetary system. Although the GAB had earlier carried a rate of interest below market rates, this rate was increased to the level of the SDR rate of interest when the GAB were enlarged. The new GAB became operational in December 1983 when all participants concurred with these changes.

In October 1992, the Board renewed the GAB for a period of five years from December 26, 1993 and approved an amendment to the GAB to reflect Switzerland's membership in the Fund. The amendment of the GAB entered into effect on December 22, 1992, following concurrence by all participants in the GAB. The borrowing agreement between Saudi Arabia and the Fund in association with the GAB was also renewed for a period of five years from December 26, 1993.

amounted to SDR 2.3 billion, while Asian countries purchased SDR 1.6 billion, Central and Eastern European countries purchased SDR 1.3 billion, and the remaining SDR 0.1 billion was purchased by African and Middle Eastern countries.

Repurchases in the General Resources Account during 1992/93 amounted to SDR 4.1 billion, compared with SDR 4.8 billion in the previous financial year. There were no voluntary advance repurchases or early repurchases in 1992/93. Noteworthy, however, was Peru's clearance of its arrears to the Fund, including overdue repurchases of SDR 447 million. Repurchases, which peaked in 1987/88 following a significant expansion of Fund credit in the early 1980s, are expected to continue to decline in the short term, reflecting a decrease in the use of Fund credit during the latter part of the 1980s (Chart 9). Given the revolving nature and medium-term maturity of the Fund's balance of payments assistance, however, repurchases subsequently will begin to increase again as a result of the high level of purchases in the past few years. It may be noted that depending on the type of facility, repurchases tend to peak about four to five years after the corresponding purchases.

Taking into account both purchases and repurchases, there was an increase in Fund credit outstanding in the General Resources Account in 1992/93 for the third year in a row. Total credit outstanding in the General Resources Account rose by SDR 1.2 billion, from SDR 23.4 billion as of April 30, 1992 to SDR 24.6 billion as of April 30, 1993. (Details are provided in Appendix Table II.10.) Including

Table 3

Access Limits Under IMF Arrangements, Special Facilities, and in Connection with Augmentation for Debt and Debt-Service Reduction

(In percent of quota)

	Under Old Quotas	Under New Quotas
Access under credit tranches and the extended Fund facility		
Annual	90–110	68
Cumulative	400–440	300
Structural adjustment facility[1]	70	50
First year	20	15
Second year	30	20
Third year	20	15
Enhanced structural adjustment facility[1]		
Originally eligible members		
Maximum	250	190
Exceptional	350	255
Expected average	150	110
Compensatory and contingency financing facility	122	95
Sublimits:		
Compensatory[2]	40	30
Contingency	40	30
Cereal[2]	17	15
Optional tranche	25	20
Buffer stock financing facility	45	35
Systemic transformation facility[3]	—	50
Augmentation for debt/debt-service reduction	40	30

[1]Access over a three-year period.
[2]If the balance of payments position, apart from the effects of the export shortfall (cereal import costs), is satisfactory, the old limit was 83 percent of quota, and the new limit is 65 percent of quota.
[3]The systemic transformation facility was established in April 1993.

also disbursements under the SAF and ESAF (see below), net credit provided by the Fund under all facilities expanded by SDR 1.8 billion in 1992/93 (Chart 10). This trend toward expansion of Fund credit outstanding is expected to continue in the period ahead in line with the projected continued strong demand for use of Fund resources by members.

Stand-By and Extended Arrangements

Eleven stand-by arrangements totaling SDR 2.0 billion and three extended arrangements totaling SDR 1.2 billion were approved during 1992/93. This compares with 21 stand-by arrangements (SDR 5.6 billion) and 2 extended arrangements (SDR 2.5 billion) approved in the previous financial year. Eight of the stand-by arrangements approved in 1992/93 were with countries of the former Soviet Union and Central and Eastern European countries (Albania, the Czech Republic, Estonia,

Table 4

Selected Financial Indicators
(In millions of SDRs)

	Financial Year Ended April 30							
	1986	1987	1988	1989	1990	1991	1992	1993
				During period				
Total disbursements	**3,941**	**3,307**	**4,562**	**2,682**	**5,266**	**6,823**	**5,903**	**5,877**
Purchases by facility (GRA)[1]	3,941	3,168	4,118	2,128	4,440	6,248	5,294	5,284
Stand-by and first credit tranche	2,841	2,325	2,313	1,702	1,183	1,975	2,343	2,940
Compensatory and contingency financing facility	601	593	1,544	238	808	2,127	1,381	90
Extended Fund facility	498	250	260	188	2,449	2,146	1,571	2,254
Loans under SAF/ESAF arrangements	—	139	445	554	826	575	608	593
Special Disbursement Account resources	—	139	445	380	584	180	138	49
ESAF Trust resources	—	—	—	174	242	395	470	544
By region								
Industrial countries	—	—	—	—	—	—	—	—
Developing countries	3,941	3,307	4,562	2,682	5,267	6,823	5,903	5,877
Africa	842	647	955	701	1,289	577	740	377
Asia	844	1,282	804	469	525	1,714	1,476	1,806
Europe	323	68	—	338	268	1,960	1,516	1,343
Middle East	—	—	116	—	66	—	333	26
Western Hemisphere	1,933	1,311	2,688	1,174	3,119	2,572	1,838	2,325
Repurchases and repayments	**4,702**	**6,749**	**8,463**	**6,705**	**6,399**	**5,608**	**4,770**	**4,117**
Repurchases	4,289	6,169	7,935	6,258	6,042	5,440	4,768	4,081
Trust Fund and SAF/ESAF loan repayments	413	579	528	447	357	168	2	36
				End of period				
Total outstanding credit provided by Fund	**36,877**	**33,443**	**29,543**	**25,520**	**24,388**	**25,603**	**26,736**	**28,496**
Of which								
General Resources Account	34,640	31,646	27,829	23,700	22,098	22,906	23,432	24,635
Special Disbursement Account	—	139	584	965	1,549	1,729	1,865	1,879
Administered accounts								
Trust Fund	2,237	1,658	1,129	682	326	158	158	158
ESAF Trust[2]	—	—	—	174	416	811	1,281	1,824
Percentage change in total outstanding credit	−2.0	−9.3	−11.7	−13.6	−4.4	5.0	4.4	6.6
Number of indebted countries	87	88	86	83	87	81	82	90

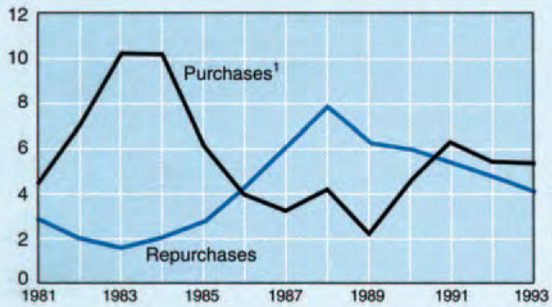
[1] Excluding reserve tranche purchases.
[2] Includes Saudi Fund for Development associated loans of SDR 19.5 million.

Latvia, Lithuania, Poland, Romania, and Russia). The other 3 were with Latin American countries (Costa Rica, Guatemala, and Uruguay). As of April 30, 1993, a total of 15 countries had stand-by arrangements with the Fund, with total commitments of SDR 4.5 billion and undrawn balances of SDR 2.5 billion. The three extended arrangements approved in 1992/93 were for Jamaica (SDR 0.1 billion), Peru (SDR 1.0 billion), and Zimbabwe (SDR 0.1 billion). Total commitments as of April 30, 1993 under the six extended arrangements in effect were SDR 8.6 billion, of which SDR 2.8 billion remained undrawn.

Taken together, new commitments of Fund resources under both stand-by and extended arrangements decreased to SDR 3.2

Chart 9

General Resources: Purchases and Repurchases, Financial Years Ended April 30, 1981–93
(In billions of SDRs)



[1]Excluding reserve tranche purchases.

billion in 1992/93 from SDR 8.1 billion in 1991/92. This reduced level of commitments is attributable mainly to improved economic performance in a number of developing countries, particularly in Latin America, while the expected large demand by many of the new members had not yet been formalized in adjustment and structural reform programs that could be supported by financial arrangements from the Fund.

Special Facilities

The Fund's special facilities consist of the compensatory and contingency financing facility (CCFF), the buffer stock financing facility (BSFF), and the systemic transformation facility (STF).

Purchases under the CCFF declined to SDR 0.1 billion in 1992/93 from SDR 1.4 billion in 1991/92. This decrease partly reflected the expiration of the oil element of the facility, which had accounted for SDR 0.5 billion of the purchases in 1991/92. There were no purchases under the BSFF for the ninth consecutive year and no amounts were outstanding under that facility at the end of 1992/93.

By early July 1993, Kyrgyzstan and Russia had purchased SDR 16.0 million and SDR 1,078.3 million, respectively, under the STF, a new temporary facility approved by the Executive Board in late April 1993.

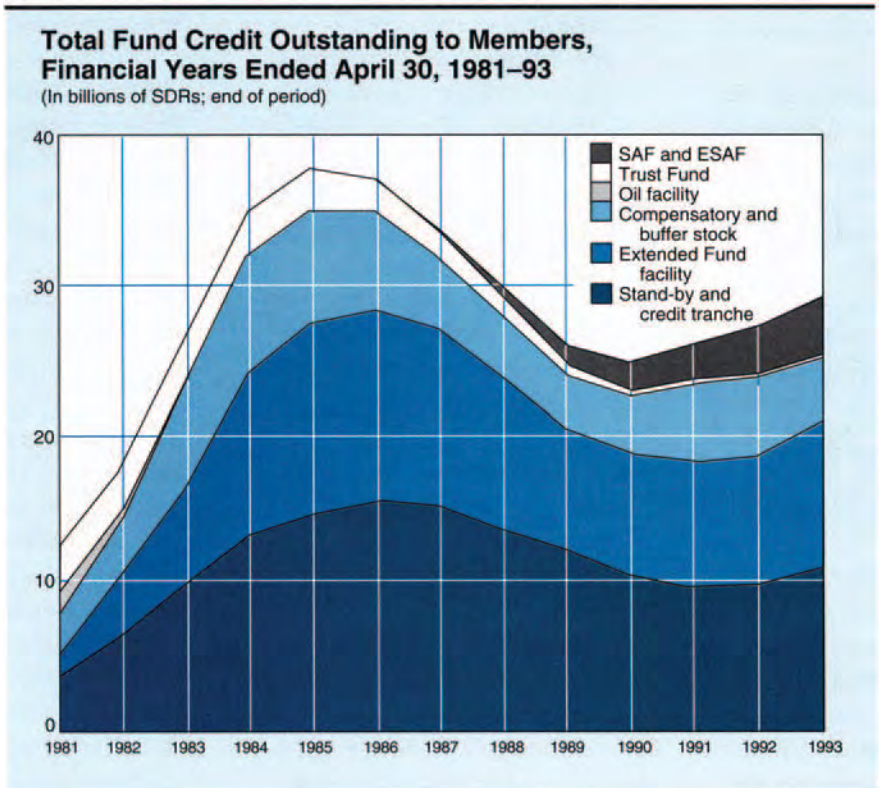
SAF and ESAF

During 1992/93, the Fund continued to provide financial support on concessional terms to low-income members through the SAF and the ESAF. As of April 30, 1993, 4 SAF arrangements and 20 ESAF arrangements were in effect. One SAF arrangement was concluded in 1992/93 with Ethiopia (SDR 49.4 million). Eight ESAF arrangements totaling SDR 478.2 million were also concluded in 1992/93 with Benin (SDR 47.0 million), Burkina Faso (SDR 48.6 million), Equatorial Guinea (SDR 12.9 million), Honduras (SDR 40.7 million), Mali (SDR 61.0 million), Mauritania (SDR 33.9 million),[6] Nepal (SDR 33.6 million), and Zimbabwe (SDR 200.6 million). The Board also approved a request for an increase in access of SDR 15.3 million under the second annual ESAF arrangement for Mozambique, and requests for fourth annual ESAF arrangements for Bolivia (SDR 27.2 million) and Uganda (SDR 39.8 million). Cumulative commitments under all approved SAF and ESAF arrangements (including arrangements that have expired) totaled SDR 4.6 billion as of April 30, 1993, compared with SDR 4.1 billion as of April 30, 1992.

SAF loans and the SAF-related portion of ESAF loans are financed from the resources of the Special Disbursement Account (SDA), which derive from repayments on loans from the Trust Fund (established in 1976). The remainder of the resources provided under the ESAF is financed from the ESAF

[6]Following the amendment of the ESAF Trust Instrument in July 1992, the Board approved in 1992/93 a two-year ESAF arrangement for Mauritania in an amount of SDR 33.9 million, the undrawn balance under the three-year ESAF arrangement that expired in mid-1992.

Chart 10



Trust. Total resources available for disbursement from the SDA in support of SAF and ESAF arrangements, including disbursements already made, are projected to amount to about SDR 2.7 billion, assuming that existing overdue Trust Fund obligations are settled. Total loan commitments by lenders to the ESAF Trust under agreements approved by the Board amount to SDR 5.1 billion. SAF and ESAF disbursements during 1992/93 totaled SDR 0.6 billion, the same level as in 1991/92.

In July 1992, the Board approved a one-year extension of the commitment period for ESAF Trust loans from November 30, 1992 to November 30, 1993. Lenders to the ESAF Trust Loan Account, with the exception of the Bank of Spain, have agreed to a corresponding extension of the drawdown periods of their respective loan agreements through November 30, 1996. The drawdown period under the agreement with the Bank of Spain expired on June 30, 1993.

To enable all ESAF financing to be provided at low concessional interest rates (currently 0.5 percent a year), subsidy contributions are received by the ESAF Trust Subsidy Account. Contributions to the Account take a variety of forms, including direct grants and deposits made at concessional interest rates. Resources available to the Subsidy Account, net of subsidies already paid, increased from SDR 506.0 million as of April 30, 1992 to SDR 606.3 million as of April 30, 1993. The ESAF Trust made interest payments to lenders in 1992/93 amounting to SDR 67.9 million, of which SDR 4.7 million was financed by payments of interest by borrowers and the balance of SDR 63.2 million was drawn from the resources of the Subsidy Account. Details on SAF and ESAF arrangements, and on borrowing agreements and subsidy contributions for the ESAF Trust, are provided in Appendix Tables II.5, II.6, and II.12.

In April 1993, the Board began an examination of the operational modalities and funding alternatives for a possible ESAF successor facility. It was agreed that the successor facility should be introduced in a timely manner to provide continuity after the November 1993 cutoff date of commitments under the current ESAF. The aim is for an ESAF successor of SDR 6 billion over three years through November 1996. At its spring 1993 meeting, the Interim Committee encouraged the Board urgently to consider all the options for financing the successor facility and invited the Board to complete its work on the facility by the end of November 1993. Further work on this matter is in process.

Fund Income, Charges, and Burden Sharing

During 1992/93, the Fund continued to set the basic rate of charge on the use of ordinary resources as a proportion of the weekly SDR interest rate. This practice was adopted in 1989/90 to ensure that the Fund's operational income more closely reflects its operational costs, which largely depend on the SDR interest rate, and thus to avoid the need for stepwise increases in the rate of charge in order to achieve the target amount of net income. For 1992/93, the proportion was set at 97.9 percent.

The average rate of charge on the use of ordinary resources in 1992/93 was 5.65 percent before adjustments under the burden-sharing mechanisms, which are discussed below. Charges on the use of borrowed resources were based on the Fund's cost of borrowing plus a margin and were determined retroactively for the six-month periods ending June 30 and December 31. During 1992/93, the average rates of charge under the supplementary financing facility and under the policy on enlarged access were 6.53 percent and 6.60 percent, respectively.

In December 1992, the Board concluded that the distinction between the use of ordinary and borrowed resources was no longer relevant for purposes of setting the rate of charge, and decided to simplify the Fund's schedule of charges by adopting effective May 1, 1993 a single unified rate of charge that would apply to all outstanding use of Fund resources. As a result, adjustments under the burden-sharing mechanisms would also apply to the use of borrowed resources (which previously had not been subject to adjustment). In June 1993, the Fund adopted the procedure of setting the basic rate of charge as a proportion of the weekly SDR interest rate as a permanent feature. For 1993/94, the Board decided to set the unified basic rate of charge at 111 percent of the SDR interest rate and to review this decision at midyear.

The Fund pays remuneration to a member on the amount by which its norm for remuneration exceeds the Fund's holdings of its currency, excluding holdings that reflect the member's use of Fund credit. For each member, the norm is calculated as the sum of 75 percent of the member's quota on April 1, 1978 and the increases in quota consented to and paid after that date. For members joining the Fund after April 1, 1978, the norm is calculated as the weighted average of the norms applicable to all other members on the date of admission, plus all increases in the member's quota paid after that date. The rate of remuneration, before the adjustments under the burden-sharing mechanisms discussed below, is set at 100 percent of the SDR interest rate, which averaged 5.71 percent in 1992/93.

The various measures taken in recent years to strengthen the Fund's financial position against the consequences of overdue obligations were continued in 1992/93. First, a target amount of net income (5 percent of reserves at the beginning of the financial year) is added to the Fund's reserves each year. Second, the financial burden of overdue obligations is shared by debtor and creditor members: one half each of the cost of deferred overdue charges and the allocation to the Special Contingent Account (SCA-1) of 5 percent of reserves at the beginning of the year is borne by members paying charges on the use of Fund resources and by members receiving remuneration through adjustments to the rates of charge and remuneration, except that the adjustment to the rate of remuneration cannot reduce that rate to less than 85 percent of the SDR interest rate. These burden-sharing procedures were extended by the Board through 1993/94.

As part of the strengthened cooperative strategy to resolve the problem of protracted overdue obligations, further adjustments—called extended burden sharing—are made to the rate of charge and to the rate of remuneration (subject to the floor of 80 percent of the SDR interest rate stipulated in the Articles of Agreement). The resources so generated are placed in a second Special Contingent Account (SCA-2) and are intended to protect the Fund against risks associated with credit extended by the General Resources Account for the encashment of rights earned in the context of rights accumulation programs, and also to provide additional liquidity to finance those encashments. The extended burden-sharing procedures were adopted in July 1990 and will remain in effect until the target level of resources of SDR 1 billion has been accumulated in the SCA-2. In view of the unification of the rate of charge, and the correspondingly larger balances of outstanding credit subject to burden-sharing adjustments, the adjustment to the rate of charge for extended burden sharing was reduced for 1993/94 from 35 to 26 basis points, in order to maintain constant the amount of resources generated for the SCA-2.

When deferred overdue charges are settled, an equivalent amount is repaid to members that paid higher charges or received lower remuneration under burden sharing. Settlements of deferred charges amounted to SDR 246 million during 1992/93, and cumulative refunds at the end of April 1993 amounted to SDR 557 million. Balances in the SCA-1 will be returned to the contributors when there are no more overdue obligations, or at such earlier time as the Fund may decide. Balances in the SCA-2 will be distributed to members that paid additional charges or received reduced remuneration when all outstanding purchases related to the encashment of rights have been repurchased, or at such earlier time as the Fund may decide.

For 1992/93, the target amount of net income to be added to reserves and the amount to be added to the SCA-1 were each set at SDR 78 million. Deferred charges due by members in protracted arrears and contributions to the SCA-1 resulted in average adjustments to the basic rate of charge of 60 basis points, and to the rate of remuneration of 56 basis points. Adjustments for extended burden sharing further increased the basic rate of charge by an average of 35 basis points and further reduced the rate of remuneration by an average of 58 basis points to 80 percent of the average SDR interest rate. Shortfalls in the amounts placed to the SCA-2 owing to the 80 percent floor of the remuneration coefficient being reached, which amounted to SDR 176 million cumulatively at the end of 1992/93, will be recaptured when the adjusted rate of remuneration does not reach that limit. For 1992/93, the adjusted rate of charge on the use of ordinary resources averaged 6.60 percent and the adjusted rate of remuneration averaged 4.57 percent.

The Fund's net income in 1992/93 amounted to SDR 71 million, SDR 7 million less than the target amount of SDR 78 million. The Board decided to take this shortfall into account when determining the target net income for 1993/94. The net income for 1992/93 was added to reserves, which increased to SDR 1.63 billion at the end of April 1993 from SDR 1.56 billion a year earlier. Total precautionary balances (reserves and the balances in the two Special Contingent Accounts) amounted to SDR 2.5 billion at the end of April 1993, while the precautionary balances available to protect the Fund's financial position against overdue credit outstanding from the General Resources Account (reserves plus SCA-1) totaled SDR 2.1 billion and were equivalent to 119 percent of such overdue credit (SDR 1.7 billion). Since 1986/87, the Fund's exposure to loss from overdue charges (SDR 779 million at April 30, 1993) has been offset through the burden-sharing mechanisms and the risk has been assumed by the Fund's debtor and creditor members. The precautionary balances placed in the SCA-2, which are to protect the Fund against risks associated with the encashment of rights by countries under rights accumulation programs and to provide additional liquidity to finance those encashments, and which are planned to amount to SDR 1 billion by about mid-1995, totaled SDR 476 million at the end of April 1993.

Overdue Financial Obligations

Although the amount of overdue financial obligations to the Fund remained high in 1992/93, the sustained implementation of the Fund's strengthened cooperative strategy resulted, for the first time since 1982, in a decline in the level of arrears, from SDR 3.5 billion on April 30, 1992 to SDR 3.0 billion on April 30, 1993. Over the same period, the amount of financial obligations overdue from countries in arrears to the Fund by six months or more also declined from SDR 3.5 billion to SDR 3.0 billion.[7]

One country in protracted arrears, Peru, completed its rights accumulation program and eliminated its arrears to the Fund in March 1993. While most cases of short-term arrears were resolved in 1992/93, the number of countries in arrears to the Fund by six months or more increased from 10 to 12. Progress toward the resolution of some of these protracted cases, including the more recent ones, was hampered by difficult internal and external political conditions, as well as, in some instances, by international sanctions. All of these countries were in arrears to the General Resources Account; 9 to the SDR Department; 6 to the Trust Fund; and 4 were in arrears on SAF loans. Overdue deferred charges from these countries, which are excluded from the Fund's current income, amounted to SDR 1,058 million at the end of 1992/93, compared with SDR 1,182 million at the end of 1991/92. Selected data on arrears to the Fund are shown in Table 5, and additional information on countries' overdue financial obligations by type and duration is presented in Table 6.

In 1992/93, a declaration of ineligibility pursuant to Article XXVI, Section 2(*a*) with respect to Peru was lifted following the full settlement of its arrears to the Fund on March 18, 1993. At the end of the financial year, declarations of ineligibility remained in effect with respect to seven members: Viet Nam (January 15, 1985), Liberia (January 24, 1986), Sudan (February 3, 1986), Zambia (September 30, 1987), Sierra Leone (April 25, 1988), Somalia (May 6, 1988), and Zaïre (September 6, 1991). As of April 30, 1993, these seven ineligible members accounted for 97 percent of total overdue financial obligations to the Fund. In addition, declarations of noncooperation have been issued and remain in effect with respect to three members—Liberia (March 30, 1990), Sudan (September 14, 1990), and Zaïre (February 14, 1992).

Progress Under the Strengthened Cooperative Strategy

The strengthened cooperative strategy on overdue financial obligations to the Fund was formulated in early 1990 and endorsed by the Interim Committee in May 1990. During 1992/93, the Board continued to implement the three key elements of this strategy—prevention, deterrence, and intensified collaboration—to assist overdue members to find solutions to their arrears problems and to prevent the emergence of new arrears.

Preventive Measures

Actions to prevent the emergence of new cases of arrears are a fundamental aspect of the strengthened cooperative strategy. Assessments of members' external viability and their capacity to

[7] The data in this section include the overdue financial obligations of the Republic of Bosnia and Herzegovina and the Federal Republic of Yugoslavia (Serbia/Montenegro), which have not yet completed arrangements for succession to membership in the Fund.

Table 5

Arrears to the Fund of Members with Obligations Overdue by Six Months or More

(In millions of SDRs; end of period)

	Financial Year Ended April 30					
	1988	1989	1990	1991	1992	1993
Amount of overdue obligations	1,945.2	2,801.5	3,251.1	3,377.7	3,496.0	3,006.4
Number of members	9	11	11	9	10	12
Of which						
General Department	1,787.7	2,594.2	3,018.6	3,171.7	3,274.1	2,768.3
Number of members	9	11	11	9	10	12
SDR Department	25.1	35.0	44.7	27.3	37.5	49.8
Number of members	6	6	9	6	7	9
Trust Fund	132.4	172.3	187.8	178.7	184.3	188.3
Number of members	7	7	9	6	6	6
Number of ineligible members	7	8	10	8	8	7

repay the Fund are made by the staff in cases of members requesting the use of Fund resources. Such assessments highlight potential risks and dangers arising, for example, from future financing gaps, a bunching of maturities or an excessive debt burden, possible adverse external shocks, or slippages in policy implementation. Every effort is made to take these risks into account in the design, implementation, and financing of programs.

When large medium-term financing gaps and very heavy debt burdens are in prospect, the Board is informed of the member's future financing needs and of how these are expected to be met. In such instances, the Fund has sought additional assurances from the international financial community regarding the availability of financing on appropriate terms over the medium term. In addition, assistance may be provided to strengthen members' international reserve management practices through, for example, the targeting of a higher level of international reserves, the building up of budgetary resources in local currency, or arrangements for voluntary advance acquisitions of SDRs combined with a standing authorization to debit the member's SDR account for amounts as they fall due.

Remedial and Deterrent Measures

The preventive element of the arrears strategy is complemented by remedial and deterrent measures, the purpose of which is to prevent new arrears from becoming protracted. These measures consist of specific actions to be taken in the light of developments in a member's situation, and in accordance with a timetable agreed by the Board in early 1990. The timetable sets a framework for the Board's consideration of various measures, which are then implemented in accordance with the Board's judgment regarding the degree of a member's cooperation with the Fund and the particular circumstances of the individual member.

The strategy for dealing with the problem of overdue financial obligations has been strengthened by the entry into effect on November 11, 1992 of the Third Amendment to the Articles of Agreement. This Amendment empowers the Fund to suspend the voting and certain related rights of a member that fails to fulfill any of its obligations under the Articles, other than obligations with respect to SDRs. Suspension may be imposed by a decision of the Board with a 70 percent majority of the total voting power.

Table 6

Arrears to the Fund of Members with Obligations Overdue by Six Months or More, by Type and Duration, as of April 30, 1993

(In millions of SDRs)

Member	Total	By Type			By Duration			
		General Dept.	SDR Dept.	Trust Fund	Less than one year	1–2 years	2–3 years	3 years or more
Bosnia and Herzegovina	9.6	9.0	0.6	—	9.6	—	—	—
Cambodia	36.0	23.6	12.4	—	2.4	2.6	2.8	28.2
Haiti	7.8	6.5	1.4	—	6.8	1.0	—	—
Iraq	13.5	—	13.5	—	4.9	5.5	3.1	—
Liberia	399.2	359.1	9.2	30.9	18.6	30.2	43.1	307.3
Serbia/Montenegro	26.4	24.8	1.6	—	26.4	—	—	—
Sierra Leone	87.2	76.6	—	10.6	0.3	9.7	11.9	65.2
Somalia	156.4	146.6	2.3	7.5	12.9	17.9	24.6	101.0
Sudan	1,140.6	1,048.5	8.7	83.4	52.9	82.6	118.9	886.2
Viet Nam	100.1	51.7	—	48.4	1.7	4.3	4.2	89.9
Zaïre	145.8	145.6	0.2	—	52.9	72.0	20.9	—
Zambia	883.8	876.3	—	7.5	—	60.8	77.0	746.0
Total	3,006.4	2,768.3	49.8	188.3	189.4	286.6	306.5	2,223.9

Intensified Collaboration and the Rights Approach

Fund-monitored programs and rights accumulation programs provide a framework for members in protracted arrears to the Fund to establish a track record on policies and payments performance. The availability of the rights approach is limited to those of the 11 members that were in protracted arrears to the Fund at the end of 1989 that enter into a rights accumulation program by a certain deadline, which has been extended to the spring 1994 meeting of the Interim Committee. A rights accumulation program allows a member in protracted arrears to accumulate rights to future drawings on Fund resources in accordance with a phased schedule, and in amounts up to the level of arrears outstanding at the beginning of the program. Disbursements, however, are not made until after the clearance of arrears and are conditional upon satisfactory conclusion of the rights program and endorsement by the Fund of a follow-up arrangement. Following the completion of legislative action by certain members in February 1993, the Board formally took a decision implementing its earlier agreement to establish a pledge to use up to 3 million ounces of the Fund's gold, if needed, as additional security for use of the resources of the ESAF Trust in connection with the encashment of rights accumulated by low-income Fund members.

Three of the 11 members in protracted arrears at the end of 1989—Guyana, Honduras, and Panama—cleared their arrears to the Fund without recourse to the rights approach. Three other members—Peru, Sierra Leone, and Zambia—adopted rights accumulation programs. As noted above, Peru completed its rights program in December 1992 and accumulated all of the rights available under the program. Peru cleared its arrears to the Fund on March 18, 1993, and on the same day the Board approved a three-year extended arrangement in support of Peru's medium-term economic program. Sierra Leone continued to make satisfactory progress under its rights accumulation program, which was endorsed by the Board in April 1992. Sierra Leone has observed most of the financial and structural performance objectives of the program and has been accumulating rights. In July 1992, the Board endorsed a revised rights accumulation program for Zambia. While some difficulties in program implementation have been encountered, progress in the areas of structural reform and economic liberalization has been generally satisfactory and Zambia has continued to accumulate rights under the revised program.

In the case of three other members in protracted arrears at the end of 1989—Liberia, Somalia, and Sudan—progress has been hindered by a number of factors, including, inter alia, political and security problems.

The two remaining members—Cambodia and Viet Nam—have made clear progress toward resolving the problem of their overdue financial obligations to the Fund. In October 1992, the Fund re-established formal channels of communication with Cambodia, and in December 1992 Cambodia applied certain assets that the Fund had held on its behalf toward partial settlement of its arrears to the Fund. Cambodia has also been implementing a package of economic adjustment measures informally monitored by Fund staff. Since 1989, Viet Nam has continued to cooperate with the Fund under the intensified collaborative approach by implementing macroeconomic stabilization policies and making payments to the Fund equivalent to obligations falling due. More recently, there have been indications of the emergence of an international consensus that would facilitate progress toward clearance of Viet Nam's arrears to the Fund in the near future.

The international financial community has provided support to overdue members that are cooperating with the Fund through a variety of channels. The financing required for Peru's rights accumulation program was mobilized through a Support Group cochaired by Japan and the United States with broad international representation. Japan and the United States also provided the bridge loan used to help clear Peru's arrears to the Fund in March 1993. In the case of Zambia, international support has been provided through the Consultative Group and the World Bank's Special Program of Assistance to Africa. The extraordinary cash flow relief granted to Peru, Zambia, and Sierra Leone in the context of the Paris Club of official creditors has also helped these members to meet the financing requirements of their programs.

Special Charges

In order to assist members in protracted arrears to the Fund, the Board has in recent years modified the system of special charges on overdue financial obligations to the Fund. In April 1991, the Board decided to suspend special charges on overdue financial obligations in the General Resources Account of members in protracted arrears that were judged to be actively cooperating with the Fund and that had undertaken not to allow their overdue obligations to the Fund to increase above a specified ceiling level. Four members—Panama, Peru, Viet Nam, and Zambia—initially qualified for such suspension and benefited from it to varying degrees. At its review of the system of special charges in April 1992, the Board concluded that, in the cases of members in protracted arrears, the continued application of special charges could have the effect of compounding the severity of the arrears problem and complicating the efforts by all parties to arrive at a solution. The Board therefore decided to discontinue levying special charges in the General Resources Account on all members with overdue obligations outstanding for six months or more with effect from May 1, 1992. In April 1993, the Board decided that with effect from May 1, 1993, the levying of special charges in the Trust Fund and of additional interest on overdue SAF obligations would also be discontinued for members with overdue obligations outstanding for six months or more.

SDR Department

The SDR is an international reserve asset created by the Fund. SDRs are held and used by Fund members, all of which are participants in the SDR Department. In addition, SDRs can be held by the Fund's General Resources Account and by official entities prescribed by the Fund for that purpose. Although prescribed holders do not receive SDR allocations, they can acquire and use SDRs in operations and transactions with participants in the SDR Department and with other prescribed holders under the same terms and conditions as participants. Following Switzerland's membership in the Fund, the status of the Swiss National Bank as a prescribed holder of SDRs was terminated. Consequently, the number of institutions prescribed by the Fund to accept, hold, and use SDRs declined to 15 during 1992/93.[8]

The SDR is the unit of account for Fund operations and transactions and for its administered accounts, and is also used as a unit of account (or as the basis for a unit of account) by a number of other international and regional organizations and international conventions. In addition, the SDR has been used to denominate financial instruments and transactions outside the Fund by the private sector (private SDRs). As of the end of 1992/93, the currencies of four member countries of the Fund were pegged to the SDR.

SDR Valuation and Interest Rate Basket

The SDR is valued on the basis of a basket of currencies. The current SDR valuation basket was revised on January 1, 1991 and will be in effect through December 31, 1995. It comprises the currencies of the five member countries in the Fund with the largest values of exports of goods and services during the period 1985–89. The revision of weights at the beginning of 1991 reflected changes that had occurred between 1980–84 and 1985–89 in the relative importance in international trade and finance of the five countries whose currencies are included in the basket. The initial weights and the corresponding amounts of each of the five currencies in the valuation basket are shown in Table 7.

Following the unification of the SDR valuation and interest rate baskets in January 1981, the rate of interest on the SDR is calculated by using interest rates on selected short-term instruments in the domestic money markets of the five countries whose currencies are included in the valuation basket to determine a combined market interest rate. With effect from January 1, 1991, these instruments are the market yield on three-month U.S. Treasury bills, the three-month interbank deposit rate in Germany, the three-month rate for treasury bills in France, the three-month rate on certificates of deposit in Japan, and the market yield on three-month U.K. Treasury bills. The weekly (Monday–Sunday) yield on the SDR is computed as the sum, rounded to the two nearest decimal places, of the products of the respective interest rates, the currency amounts, and the exchange rates in effect on the preceding Friday.

SDR Transfers

In 1992/93, the transactions undertaken in connection with quota subscription payments by new members of the Fund and with members' reserve asset payments for their quota increases under the Ninth General Review resulted in a record level of total gross transfers of SDRs of SDR 34.2 billion. This level of transfers was substantially above the previous peak of SDR 22.6 billion reached in 1983/84, when reserve asset payments for quota increases under the Eighth General Review took place. Summary data on transfers of SDRs by participants, the General Resources Account, and prescribed holders are presented in Table 8.

Transfers of SDRs among participants and prescribed holders nearly doubled to SDR 11.1 billion in 1992/93, mainly as a result of the substantial increase in prescribed operations associated with the use of the same-day SDR loan/repayment mechanism by

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

Table 7

SDR Valuation Basket

(As of January 1, 1991)

Currency	Percentage Weight	Amount of Currency Units
U.S. dollar	40	0.572
Deutsche mark	21	0.453
Japanese yen	17	31.8
French franc	11	0.800
Pound sterling	11	0.0812

members paying the reserve asset portion of their quota subscriptions and increases. The level of transactions by agreement remained about the same at SDR 5.0 billion. For the fifth consecutive year, there were no transactions with designation, as potential uses of SDRs through the designation mechanism were channeled through voluntary transactions by agreement with other participants.[9]

The designation mechanism was not used in part as a consequence of the establishment by a number of members of standing arrangements with the Fund to buy or sell SDRs (so-called two-way arrangements). Under these arrangements, which facilitate transactions by agreement, members stand ready to buy or sell SDRs for one or more freely usable currencies at any time, provided that their SDR holdings remain within certain limits. These two-way arrangements numbered 11 as of April 30, 1993. Together with other arrangements for SDR sales, they have contributed significantly to the smooth functioning of the SDR system by accommodating a large portion of desired purchases and sales of SDRs.

During 1992/93, however, members wishing to acquire SDRs (generally to discharge financial obligations to the Fund) sought more SDRs than other members were prepared to sell, and the Fund was unable to arrange for all the requested acquisitions. This led to a lower capacity of members indebted to the Fund to effect repurchases in SDRs (which declined from SDR 1.8 billion in 1991/92 to SDR 0.6 billion in 1992/93), and to a larger recourse to the Fund's General Resources Account to meet these members' needs to acquire SDRs to pay charges.

SDR transfers from participants to the Fund increased sharply in 1992/93, mainly reflecting the large transactions associated with quota payments. At the same time, transfers from the General Resources Account to participants more than doubled, due largely to the high volume of purchases by members, which reflected in part the use of the reserve tranche by members in connection with their quota payments and the same-day SDR loan/repayment mechanism (see Table 8).

Pattern of SDR Holdings

While total allocations of SDRs remained unchanged at SDR 21.4 billion in 1992/93, there was a marked redistribution of holdings resulting from the transfers described in the previous section. The Fund's holdings of SDRs in the General Resources Account increased sharply from SDR 0.7 billion to SDR 8.0 billion during the financial year, reflecting receipts from members of reserve asset payments in SDRs in connection with the quota increases under the Ninth General Review. Holdings of SDRs by participants correspondingly declined from SDR 20.7 billion to SDR 13.5 billion. Mainly as a result of the use of SDRs to pay the reserve asset portion of their quota increases, the SDR holdings of the industrial

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

Table 8

Transfers of SDRs, January 1, 1970–April 30, 1993

(In millions of SDRs)

	Annual Averages[1]					Financial Year Ended April 30			Total
	1/1/70–4/30/78	5/1/78–4/30/81	5/1/81–4/30/83	5/1/83–4/30/87	5/1/87–4/30/90	1991	1992	1993	1/1/70–4/30/93
Transfers among participants and prescribed holders									
Transactions with designation									
From own holdings	221	294	815	165	—	—	—	—	5,016
From purchase of SDRs from Fund	43	1,150	1,479	1,744	329	—	—	—	14,727
Transactions by agreement	439	771	1,262	3,121	6,933	5,266	5,019	5,056	57,114
Prescribed operations	—	—	277	520	840	349	240	5,610	11,355
Fund-related operations	—	—	—	43	280	132	149	94	1,388
Net interest on SDRs	42	161	259	285	381	541	441	337	4,949
Total	743	2,377	4,092	5,878	8,763	6,289	5,848	11,097	94,550
Transfers from participants to General Resources Account									
Repurchases	306	809	702	991	2,441	1,991	1,838	583	22,079
Charges	259	620	1,233	2,574	1,878	2,006	1,883	1,798	28,097
Quota payments	24	1,703	175	1,591	11	220	11	12,643	24,933
Interest received on General Resources Account holdings	16	135	551	307	75	79	57	128	3,356
Assessments	1	1	2	4	4	4	4	3	55
Total	606	3,269	2,662	5,466	4,408	4,301	3,794	15,155	78,520
Transfers from General Resources Account to participants and prescribed holders									
Purchases	208	1,474	2,227	2,554	1,139	1,334	1,881	5,769	33,219
Repayments of Fund borrowings	—	88	86	614	1,876	1,090	500	350	10,458
Interest on Fund borrowings	4	27	183	443	469	195	77	92	4,027
In exchange for other members' currencies									
Acquisitions to pay charges	—	3	95	896	337	364	253	699	6,107
Acquisitions to make quota payments	—	114	—	—	—	—	—	—	341
Reconstitution	175	33	—	—	—	—	—	—	1,555
Remuneration	26	165	604	1,536	1,008	1,172	1,009	922	14,193
Other	29	7	22	17	25	80	89	73	692
Total	442	1,911	3,217	6,059	4,853	4,235	3,808	7,905	70,593
Total transfers	1,792	7,556	9,971	17,404	18,025	14,824	13,450	34,157	243,662
General Resources Account holdings at end of period	1,371	5,445	4,335	1,960	628	694	680	7,930	7,930

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

countries in relation to their net cumulative allocations declined from 121.2 percent to 73.8 percent during 1992/93, while the holdings of developing countries declined from 44.6 percent to 39.9 percent of their net cumulative allocations (Appendix Table II.14).

In February 1993, the Board reviewed the Fund's policy on the appropriate level of its SDR holdings and considered the pace at which the high level of SDR holdings resulting from the quota payments could be reduced in the period ahead. In light of the need of members to hold SDRs as reserves and as a means of payment, the Board decided that Fund operations should be guided by the aim of reducing the Fund's SDR holdings to within a range of SDR 1.0–1.5 billion by the end of 1995. Given the projected inflows and outflows of SDRs in the General Resources Account over the next three years, it is expected that about half of total transfers under the quarterly operational budgets will be made in SDRs until the target range for the Fund's holdings is reached in late 1995.

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Appendices

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International Reserves

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

Recent Evolution of Official Reserve Assets

During 1992, total international reserves measured in SDR terms increased by 2 percent to SDR 919 billion, reflecting an increase in the holdings of non-gold reserves that was partially offset by a modest fall in the market value of official holdings of gold (Table I.1). The growth in non-gold reserves reflected a substantial increase in the holdings of foreign exchange reserves by developing countries that more than offset a reduction in holdings by industrial countries. The fall in the value of gold holdings was partly attributable to the largest decline in the quantity of gold in several years, which represented a continuation of a trend that began in 1989 and that accelerated in the first quarter of 1993. The increase in quotas under the Ninth General Review, which became effective in late 1992, resulted in a significant redistribution of Fund-related assets held by members from SDRs to reserve positions in the Fund.

Non-Gold Reserves

Non-gold reserves increased by 3 percent during 1992 to SDR 693 billion at the end of the year. The increase represented a continuation in the expansion of non-gold reserves that has been evident since 1987. The distribution by major country groupings in the growth of non-gold reserves in 1992 continued the pattern begun in 1991; namely, an expansion of the reserves held by developing countries increased at an annual rate of 9 percent, whereas holdings of industrial countries fell by 1 percent. All major groups of developing countries, except for oil exporters (not shown in table), increased their non-gold reserves during 1992. In particular, holdings of non-gold reserves by developing countries that have experienced recent debt-servicing problems rose by 28 percent, following increases of 33 percent and 35 percent in 1990 and 1991, respectively, and capital importing developing countries without debt-servicing problems increased their non-gold reserve holdings by 6 percent.

Foreign Exchange Reserves

Foreign exchange reserves, which accounted for most of the change in non-gold reserves, grew by 3 percent during 1992 to reach SDR 646 billion by the end of the year. Although holdings of foreign exchange reserves continued to increase, the rate of growth has slowed steadily over the past six years, and for the second year in a row, the reserves of the industrial countries declined. Total holdings of foreign exchange reserves grew by SDR 21 billion as an expansion of the holdings of developing countries, which rose by SDR 24 billion (an annual rate of growth of 9 percent), more than offset the decline in the exchange reserves of industrial countries, which fell by SDR 4 billion (a 1 percent decline). The increase in the holdings of developing countries continued the process of accumulation of foreign exchange reserves that began in 1987 after successive declines in 1985 and 1986.

Holdings of Fund-Related Reserve Assets

Holdings of Fund-related assets increased by less than 1 percent in 1992 to reach SDR 47 billion at the end of the year, reflecting only an SDR 400 million increase. However, the quota increase arising from the Ninth General Review resulted in major changes in the composition of Fund-related reserve assets, as most members used their holdings of SDRs to pay for the reserve asset portion of the quota increase. Members' reserve positions in the Fund, which comprise their reserve tranche position and their creditor position, had fallen by SDR 8 billion between the end of 1987 and the end of 1990, but increased by SDR 8 billion in 1992 (31 percent increase). Members' holdings of SDRs, which had remained virtually unchanged over the last several years, declined by SDR 8 billion (37 percent) in 1992. This pattern of offsetting changes in the reserve position in the Fund and SDRs was evident for both developing and industrial countries.

Gold

The market value of the global stock of gold reserves declined by 3 percent in 1992 to SDR 226 billion. In previous years the decrease in the value of gold reserves reflected predominantly changes in the price of gold; between 1987 and 1991, the quantity of gold holdings declined by a total of less than 1 percent, while the value of gold holdings fell by 28 percent. However, while the price declined by 2 percent in 1992 (falling from SDR 247 per ounce to SDR 242 per ounce), the 1 percent decline in the physical stock in 1992 was the largest fall in several years. The distribution of gold holdings between industrial and developing countries changed very little during the 1980s; at the end of 1992, industrial countries held 84 percent and developing countries 16 percent of the total physical stock of gold reserves of 930 million ounces.

Developments in the First Quarter of 1993

Total international reserves fell by SDR 15 billion in the first quarter of 1993 owing both to reduced foreign exchange holdings and to a decline in the value of gold reserves. The 2 percent (8 percent at annual rates) decline in the market value of gold was due primarily to a reduction in the physical holdings, predominantly by industrial countries. The SDR 11 billion decline in holdings of non-gold reserves was almost exclusively a result of a fall in the foreign exchange reserves of industrial countries with little change on the part of the developing countries.

Currency Composition of Reserves

During the past decade, there has been an ongoing diversification of the currency composition of foreign exchange reserves. However, this diversification has primarily reflected changes in the currency composition of reserves held by industrial countries rather than by developing countries. The share of the U.S. dollar in total foreign exchange reserves had fallen from about 70 percent in the period 1983–84 to 58 percent in 1990–91, but then rebounded at the end of 1992 to 64 percent. (Table I.2). The increase in the dollar share in 1992 resulted from a large increase in the quantity of dollars held and a positive valuation change reflecting an appreciation of the dollar relative to the

Table I.1

Official Holdings of Reserve Assets, End of Year 1987–March 1993[1]
(In billions of SDRs)

	1987	1988	1989	1990	1991	1992	March 1993
All countries							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	31.5	28.3	25.5	23.7	25.9	33.9	33.8
SDRs	20.2	20.2	20.5	20.4	20.6	12.9	13.5
Subtotal, Fund-related assets	51.7	48.4	46.0	44.1	46.4	46.8	47.3
Foreign exchange	456.1	494.5	545.2	593.7	625.6	646.4	635.0
Total reserves excluding gold	507.8	542.9	591.1	637.8	672.1	693.1	682.3
Gold[2]							
Quantity (*millions of ounces*)	947.5	948.0	942.7	940.5	939.5	930.3	915.9
Value at London market price	323.3	289.0	287.6	254.5	232.2	225.5	221.4
Industrial countries							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	20.5	19.6	19.6	20.0	22.8	29.5	29.1
SDRs	16.5	17.6	17.7	17.6	17.5	10.5	10.8
Subtotal, Fund-related assets	36.9	37.1	37.2	37.6	40.2	40.0	39.9
Foreign exchange	287.4	315.9	345.0	376.5	360.4	356.7	345.5
Total reserves excluding gold	324.3	353.1	382.2	414.1	400.6	396.7	385.4
Gold[2]							
Quantity (*millions of ounces*)	804.8	801.1	797.9	795.9	793.8	785.3	771.7
Value at London market price	274.6	244.2	243.5	215.4	196.2	190.3	186.5
Developing countries							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	11.0	8.7	5.9	3.8	3.1	4.4	4.7
SDRs	3.7	2.6	2.8	2.7	3.1	2.4	2.7
Subtotal, Fund-related assets	14.7	11.3	8.7	6.5	6.2	6.8	7.4
Foreign exchange	168.7	178.6	200.2	217.2	265.2	289.6	289.5
Total reserves excluding gold	183.5	189.9	208.9	223.7	271.4	296.4	296.9
Gold[2]							
Quantity (*millions of ounces*)	142.7	146.9	144.8	144.6	145.7	145.0	144.3
Value at London market price	48.7	44.8	44.2	39.1	36.0	35.1	34.9
Net debtors							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	2.1	1.5	1.6	1.1	1.3	2.8	2.8
SDRs	2.6	1.6	1.6	1.8	2.2	1.7	2.1
Subtotal, Fund-related assets	4.6	3.1	3.2	3.0	3.5	4.5	4.9
Foreign exchange	90.6	101.4	120.5	145.1	184.2	207.6	208.1
Total reserves excluding gold	95.2	104.5	123.7	148.0	187.7	212.1	213.0
Gold[2]							
Quantity (*millions of ounces*)	116.4	114.8	112.6	112.5	113.6	112.8	112.1
Value at London market price	39.7	35.0	34.4	30.5	28.1	27.3	27.1
Countries with debt-servicing problems							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	0.6	0.1	0.1	0.1	0.1	0.5	0.5
SDRs	1.3	0.5	0.5	0.7	1.0	1.0	1.2
Subtotal, Fund-related assets	1.9	0.6	0.6	0.7	1.1	1.4	1.7
Foreign exchange	33.2	30.1	34.2	45.5	61.5	78.6	77.5
Total reserves excluding gold	35.1	30.7	34.8	46.2	62.6	80.0	79.2
Gold[2]							
Quantity (*millions of ounces*)	50.8	48.6	46.5	49.1	48.8	48.5	47.8
Value at London market price	17.3	14.8	14.2	13.3	12.1	11.7	11.5

Table I.1 (*concluded*)

	1987	1988	1989	1990	1991	1992	March 1993
Countries without debt-servicing problems							
Total reserves excluding gold							
Fund-related assets							
Reserve positions in the Fund	1.5	1.4	1.6	1.1	1.2	2.4	2.3
SDRs	1.3	1.1	1.1	1.2	1.2	0.8	0.9
Subtotal, Fund-related assets	2.8	2.4	2.6	2.2	2.4	3.1	3.2
Foreign exchange	57.4	71.4	86.3	99.6	122.7	129.0	130.6
Total reserves excluding gold	60.1	73.8	88.9	101.8	125.2	132.1	133.8
Gold[2]							
Quantity (*millions of ounces*)	65.6	66.2	66.1	63.5	64.8	64.4	64.3
Value at London market price	22.4	20.2	20.2	17.2	16.0	15.6	15.6

Source: International Monetary Fund, *International Financial Statistics*.
Note: Components may not sum to total because of rounding.
[1]"Fund-related assets" comprise reserve positions in the Fund and SDR holdings of all Fund members and Switzerland. Claims by Switzerland on the Fund are included in the line showing reserve positions in the Fund. The entries under "Foreign exchange" and "Gold" comprise official holdings of those Fund members for which data are available and certain other countries or areas, including Switzerland.
[2]One troy ounce equals 31.103 grams. The market price is the afternoon price fixed in London on the last business day of each period.

SDR (Table I.3). Of the identifiable reserve currencies, the dollar was the only reserve asset that experienced both quantity and valuation increases in 1992. The counterpart to the changes in the U.S. dollar share of official reserves was reflected primarily in reduced German deutsche mark, Japanese yen, and French franc shares.

In the calculation of these shares, the SDR value of ECUs issued against gold is not counted as part of foreign exchange reserves, but the SDR value of ECUs issued against dollars is counted as part of the holdings of dollars. The overall picture of the trend in the currency composition of foreign exchange reserves is similar if ECUs—introduced in 1979 and accounting for 11 percent of the value of total identified official holdings of foreign exchange at the end of 1992—are treated separately. In particular, the U.S. dollar share (excluding holdings of ECUs) in total identified reserve holdings fell from 64 percent at the end of 1984 to 54 percent at the end of 1991 before rising to 59 percent at the end of 1992.

ECU official reserves are in the form of claims on both private sources and the European Monetary Cooperation Fund (EMCF).[1] The EMCF backed reserves are issued to the central banks of the members in exchange for the deposit of 20 percent of the gold holdings and 20 percent of the gross dollar holdings of these institutions. These swaps are renewed every three months, and changes in the member's holdings of dollars and gold, as well as changes in the market price of gold and the foreign exchange value of the dollar, affect the amount of ECUs outstanding.[2]

[1]The Bank for International Settlements in *International Banking and Financial Market Developments* (February 1992) estimates that in September 1991, central bank deposits in the ECU market were about ECU 30 billion and that ECU 4 to 5 billion more was held in ECU securities.

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

Quantity changes in ECU holdings depend, therefore, partly on the evolution of the two components of the EMCF swap.[3] The SDR 4.5 billion increase in holdings of ECUs that occurred in 1992 resulted from an SDR 8.7 billion quantity increase that was partially offset by an SDR 4.2 billion negative valuation effect.

Changes in the SDR value of foreign exchange reserves can also be decomposed into valuation (or price) and quantity changes for each of the major currencies (including the ECU) and for the total of the identified foreign exchange reserves (Table I.3). In 1992, total identified foreign exchange reserves increased by SDR 17 billion as a result of a positive quantity change of SDR 13 billion and a valuation gain of SDR 4 billion.

There are significant differences in the currency diversification of reserve holdings between industrial and developing countries (see Table I.2). For example, during the period 1983–86, the industrial countries experienced greater diversification of reserve holdings than the developing countries. The industrial countries' share of U.S. dollar-denominated reserves decreased by 8 percentage points during this period, whereas the developing countries' share fell by only 1 percentage point. Since 1987, moreover, the share of the U.S. dollar in the total reserve holdings by developing countries has risen by 4 percentage points, compared with a decrease of 7 percentage points for industrial countries. In addition, while industrial countries increased the share of the deutsche mark and the Japanese yen in their reserve portfolios by 7 and 5 percentage points, respectively, from 1983 to 1991, developing countries' share of reserves denominated in deutsche mark remained roughly unchanged while the share of the Japanese yen increased by 3 percentage points.

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

Table I.2

Share of National Currencies in Total Identified Official Holdings of Foreign Exchange, End of Year 1983–92[1]
(In percent)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	Memorandum ECUs Treated Separately[2] 1992
All countries											
U.S. dollar	71.1	69.9	64.8	67.0	67.8	64.6	60.2	57.5	58.4	64.4	55.3
Pound sterling	2.5	2.9	3.0	2.5	2.4	2.7	2.7	3.4	3.6	3.2	3.1
Deutsche mark	11.7	12.6	15.1	14.6	14.4	15.6	19.0	18.6	16.5	13.0	12.5
French franc	0.8	0.8	0.9	0.8	0.8	1.0	1.4	2.3	2.8	2.5	2.4
Swiss franc	2.3	2.0	2.3	2.0	1.9	1.9	1.5	1.4	1.4	1.3	1.3
Netherlands guilder	0.8	0.7	1.0	1.1	1.2	1.1	1.1	1.1	1.1	0.7	0.7
Japanese yen	4.9	5.8	8.0	7.8	7.5	7.7	7.7	8.8	9.4	8.1	7.8
Unspecified currencies[3]	6.0	5.4	4.9	4.1	3.9	5.4	6.5	6.9	6.9	6.8	16.9
Industrial countries											
U.S. dollar	77.2	73.5	65.2	69.4	71.4	67.7	59.6	56.0	55.8	64.9	49.9
Pound sterling	0.7	1.4	1.8	1.3	1.1	1.5	1.4	1.9	2.0	2.3	2.2
Deutsche mark	13.0	15.1	19.5	16.7	15.9	17.3	22.5	21.9	20.0	14.4	13.5
French franc	0.0	0.1	0.1	0.1	0.4	0.7	1.2	2.5	3.2	3.0	2.8
Swiss franc	1.5	1.5	2.1	1.7	1.6	1.7	1.1	1.1	0.8	0.6	0.5
Netherlands guilder	0.5	0.6	1.0	1.1	1.3	1.1	1.2	1.3	1.2	0.5	0.5
Japanese yen	5.1	6.3	8.9	8.3	7.1	7.0	8.1	9.6	10.4	7.4	7.0
Unspecified currencies[3]	2.0	1.4	1.4	1.4	1.3	3.0	4.8	5.9	6.5	6.9	23.5
Developing countries											
U.S. dollar	64.6	66.2	64.5	63.2	59.8	57.4	61.3	60.7	62.7	63.6	64.6
Pound sterling	4.4	4.4	4.3	4.6	5.2	5.6	5.6	6.4	6.0	4.6	4.6
Deutsche mark	10.3	9.0	10.0	11.0	11.1	11.6	11.3	11.6	10.8	10.9	10.9
French franc	1.6	1.5	1.9	2.0	1.8	1.7	1.8	2.0	2.1	1.9	1.9
Swiss franc	3.2	2.5	2.6	2.5	2.7	2.5	2.3	2.2	2.2	2.5	2.5
Netherlands guilder	1.0	0.8	0.9	1.1	1.1	0.9	0.8	0.7	0.8	0.9	0.9
Japanese yen	4.7	5.2	6.9	7.1	8.5	9.2	6.9	7.3	7.7	9.0	9.0
Unspecified currencies[4]	10.3	9.6	9.0	8.5	9.7	11.1	10.0	9.0	7.7	6.7	6.7

Note: Shares may not sum to 100 because of rounding.
[1]The SDR value of ECUs issued against dollars is added to the SDR value of dollars, but the SDR value of ECUs issued against gold is excluded from the total distributed here. Only selected countries that provide information about the currency composition of their official holdings of foreign exchange are included in this table.
[2]This column is for comparison and indicates the currency composition of reserves when holdings of ECUs are treated as a separate reserve asset, unlike the earlier columns as is explained in the preceding footnote. The share of ECUs in total foreign exchange holdings was 17 percent for industrial countries and 9.4 percent for all countries.
[3]The residual is equal to the difference between total identified reserves and the sum of the reserves held in the seven currencies listed in the table.
[4]The calculations here rely to a greater extent on Fund staff estimates than do those provided for the group of industrial countries.

Table I.3

Currency Composition of Official Holdings of Foreign Exchange, End of Year 1986–92[1]
(In millions of SDRs)

	1986	1987	1988	1989	1990	1991	1992
U.S. dollar							
Change in holdings	3,054	38,700	17,227	11,125	16,891	15,029	37,965
Quantity change	22,126	70,963	4,709	5,400	37,470	17,240	25,857
Price change	–19,072	–32,263	12,518	5,726	–20,580	–2,211	12,108
Year-end value	187,168	225,867	243,094	254,220	271,110	286,140	324,104
Pound sterling							
Change in holdings	–1,376	1,220	2,351	1,198	5,021	2,010	–1,069
Quantity change	–667	489	2,164	2,348	3,522	2,561	2,610
Price change	–708	732	187	–1,150	1,499	–551	–3,679
Year-end value	7,572	8,792	11,144	12,341	17,363	19,372	18,304
Deutsche mark							
Change in holdings	–1,904	9,830	10,585	23,484	8,633	–6,608	–16,043
Quantity change	–7,758	6,956	14,283	17,068	3,955	–4,638	–14,626
Price change	5,854	2,874	–3,698	6,416	4,678	–1,970	–1,417
Year-end value	43,466	53,296	63,880	87,364	95,997	89,389	73,346
French franc							
Change in holdings	–296	589	1,217	2,366	5,446	3,156	–818
Quantity change	–424	482	1,481	1,927	5,091	3,155	–608
Price change	129	107	–264	438	354	1	–210
Year-end value	2,398	2,987	4,204	6,570	12,016	15,172	14,354
Swiss franc							
Change in holdings	–859	1,141	745	–1,007	444	57	209
Quantity change	–1,825	498	1,490	–958	–235	412	434
Price change	965	644	–745	–49	680	–356	–225
Year-end value	6,031	7,173	7,918	6,911	7,355	7,412	7,621
Netherlands guilder							
Change in holdings	425	1,273	–249	778	523	192	–1,918
Quantity change	31	1,020	53	439	289	267	–1,916
Price change	393	253	–302	339	234	–76	–1
Year-end value	3,282	4,554	4,305	5,083	5,606	5,798	3,881
Japanese yen							
Change in holdings	–620	4,352	3,756	4,039	10,050	5,276	–5,257
Quantity change	–3,733	1,734	2,724	7,701	10,221	2,038	–7,388
Price change	3,113	2,618	1,032	–3,662	–170	3,238	2,131
Year-end value	23,418	27,769	31,525	35,564	45,615	50,891	45,634
European currency unit							
Change in holdings	2,677	16,521	–5,985	364	492	4,046	4,455
Quantity change	–372	14,049	–3,296	–1,878	–2,107	4,950	8,713
Price change	3,049	2,472	–2,689	2,242	2,600	–905	–4,258
Year-end value	40,720	57,241	51,257	51,621	52,113	56,159	60,614
Sum of the above[2]							
Change in holdings	1,102	73,626	29,647	42,347	47,501	23,158	17,525
Quantity change	7,379	96,191	23,608	32,048	58,206	25,986	13,076
Price change	–6,277	–22,565	6,038	10,299	–10,705	–2,829	4,449
Year-end value	314,055	387,681	417,327	459,674	507,175	530,332	547,858
Total official holdings[3]							
Change in holdings	15,863	91,988	38,375	50,675	48,531	31,926	20,720
Year-end value	364,135	456,124	494,498	545,173	593,704	625,630	646,350

Note: Components may not sum to total because of rounding.
[1]The currency composition of foreign exchange is based on the Fund's currency survey and on estimates derived mainly, but not solely, from official national reports. The numbers in this table should be regarded as estimates that are subject to adjustment as more information is received. Quantity changes are derived by multiplying the changes in official holdings of each currency from the end of one quarter to the next by the average of the two SDR prices of that currency prevailing at the corresponding dates. This procedure converts the change in the quantity of national currency from own units to SDR units of account. Subtracting the SDR value of the quantity change so derived from the quarterly change in the SDR value of foreign exchange held at the end of two successive quarters and cumulating these differences yields the effect of price changes over the years shown.
[2]Each item represents the sum of the eight currencies above.
[3]Include a residual whose currency composition could not be ascertained, as well as holdings of currencies other than those shown.

Operations and Financial Transactions of the Fund

The tables in this appendix supplement the information given in the section on the Fund's financial operations and policies.

Table II.1

Arrangements Approved During Financial Years Ended April 30, 1953–93

Financial Year	Number of Arrangements					Amount Committed Under Arrangements (In millions of SDRs)				
	Stand-by	EFF	SAF	ESAF	Total	Stand-by	EFF	SAF	ESAF[1]	Total
1953	2				2	55.00				55.00
1954	2				2	62.50				62.50
1955	2				2	40.00				40.00
1956	2				2	47.50				47.50
1957	9				9	1,162.28				1,162.28
1958	11				11	1,043.78				1,043.78
1959	15				15	1,056.63				1,056.63
1960	14				14	363.88				363.88
1961	15				15	459.88				459.88
1962	24				24	1,633.13				1,633.13
1963	19				19	1,531.10				1,531.10
1964	19				19	2,159.85				2,159.85
1965	24				24	2,159.05				2,159.05
1966	24				24	575.35				575.35
1967	25				25	591.15				591.15
1968	32				32	2,352.36				2,352.36
1969	26				26	541.15				541.15
1970	23				23	2,381.28				2,381.28
1971	18				18	501.70				501.70
1972	13				13	313.75				313.75
1973	13				13	321.85				321.85
1974	15				15	1,394.00				1,394.00
1975	14				14	389.75				389.75
1976	18	2			20	1,188.02	284.20			1,472.22
1977	19	1			20	4,679.64	518.00			5,197.64
1978	18				18	1,285.09				1,285.09
1979	14	4			18	507.85	1,092.50			1,600.35
1980	24	4			28	2,479.36	797.35			3,276.71
1981	21	11			32	5,197.93	5,220.60			10,418.53
1982	19	5			24	3,106.21	7,907.75			11,013.96
1983	27	4			31	5,449.98	8,671.26			14,121.24
1984	25	2			27	4,287.33	94.50			4,381.83
1985	24				24	3,218.33				3,218.33
1986	18	1			19	2,123.40	825.00			2,948.40
1987	22		10		32	4,117.51		487.69		4,605.20
1988	14	1	15		30	1,701.90	245.40	1,008.63		2,955.93
1989	12	1	4	7	24	2,956.03	207.30	441.42	954.97	4,559.72
1990	16	3	3	4	26	3,249.37	7,627.10	45.22	415.23	11,336.92
1991	13	2	2	3	20	2,786.14	2,338.00	52.78	425.67	5,602.59
1992	21	2	1	5	29	5,586.81	2,493.05	3.15	636.62	8,719.63
1993	11	3	1	8	23	1,970.81	1,241.83	49.42	478.16	3,740.22

[1] Includes amounts previously committed under SAF arrangements that were replaced by ESAF arrangements.

Table II.2

Arrangements in Effect at End of Financial Years Ended April 30, 1953–93

Financial Year	Number of Arrangements as of April 30					Amounts Committed Under Arrangements as of April 30 (In millions of SDRs)				
	Stand-by	EFF	SAF[1]	ESAF	Total	Stand-by	EFF	SAF[1]	ESAF[2]	Total
1953	2				2	55.00				55.00
1954	3				3	112.50				112.50
1955	3				3	112.50				112.50
1956	3				3	97.50				97.50
1957	9				9	1,194.78				1,194.78
1958	9				9	967.53				967.53
1959	11				11	1,013.13				1,013.13
1960	12				12	351.38				351.38
1961	12				12	416.13				416.13
1962	21				21	2,128.63				2,128.63
1963	17				17	1,520.00				1,520.00
1964	19				19	2,159.85				2,159.85
1965	23				23	2,154.35				2,154.35
1966	24				24	575.35				575.35
1967	25				25	591.15				591.15
1968	31				31	2,227.36				2,227.36
1969	25				25	538.15				538.15
1970	23				23	2,381.28				2,381.28
1971	18				18	501.70				501.70
1972	13				13	313.75				313.75
1973	12				12	281.85				281.85
1974	15				15	1,394.00				1,394.00
1975	12				12	337.25				337.25
1976	17	2			19	1,158.96	284.20			1,443.16
1977	17	3			20	4,672.92	802.20			5,475.12
1978	19	3			22	5,075.09	802.20			5,877.29
1979	15	5			20	1,032.85	1,610.50			2,643.35
1980	22	7			29	2,340.34	1,462.85			3,803.19
1981	22	15			37	5,331.03	5,464.10			10,795.13
1982	23	12			35	6,296.21	9,910.10			16,206.31
1983	30	9			39	9,464.48	15,561.00			25,025.48
1984	30	5			35	5,448.16	13,121.25			18,569.41
1985	27	3			30	3,925.33	7,750.00			11,675.33
1986	24	2			26	4,075.73	831.00			4,906.73
1987	23	1	10		34	4,313.10	750.00	327.45		5,390.55
1988	18	2	25		45	2,187.23	995.40	1,357.38		4,540.01
1989	14	2	23	7	46	3,054.05	1,032.30	1,566.25	954.97	6,607.57
1990	19	4	17	11	51	3,597.02	7,834.40	1,109.64	1,370.20	13,911.26
1991	14	5	12	14	45	2,702.58	9,596.70	539.42	1,812.95	14,651.65
1992	22	7	8	16	53	4,832.62	12,158.85	101.15	2,110.73	19,203.35
1993	15	6	4	20	45	4,490.14	8,568.58	83.23	2,137.37	15,279.32

[1] Includes arrangements where the three-year commitment period has expired but the third annual arrangement remains in effect (three cases in 1991, two cases in 1992, and one case in 1993). The committed amounts exclude these cases.
[2] Includes amounts previously committed under SAF arrangements that were replaced by ESAF arrangements.

Table II.3

Stand-By Arrangements in Effect During Financial Year Ended April 30, 1993
(In millions of SDRs)

				Amounts Approved				
		Arrangement Dates		Through 4/30/92		In 1992/93	Undrawn Balance	
Member	Number[1]	Effective date	Expiration date	Total amount	Borrowed resources	Total amount	At date of termination	As at 4/30/93
Albania	1	08/26/92	08/25/93	—	—	20.00	—	6.88
Barbados	2	02/07/92	05/31/93	23.89	—	—	—	9.22
Brazil	12	01/29/92	08/31/93	1,500.00	977.16	—	—	1,372.50
Bulgaria	2	04/17/92	04/16/93	155.00	124.00	—	31.00	—
Cameroon	2	12/20/91	09/19/92	28.00	—	—	20.00	—
Congo	4	08/27/90	05/26/92	27.98	—	—	23.98	—
Costa Rica	12	04/08/91	09/30/92[2]	33.64	—	—	8.00	—
Costa Rica	13	04/19/93	02/18/94	—	—	21.04	—	21.04
Côte d'Ivoire	6	09/20/91	09/19/92	82.75	—	—	49.65	—
Czech Republic[3]	1	03/17/93	03/16/94	—	—	177.00	—	107.00
Czechoslovakia[3]	2	04/03/92	12/31/92[4]	236.00	—	—	200.00	—
Dominican Republic	5	08/28/91	03/27/93	39.24	—	—	—	—
Ecuador	15	12/11/91	12/10/92	75.00	—	—	56.44	—
Egypt	5	05/17/91	05/31/93[5]	234.40	—	—	—	87.20
El Salvador	15	01/06/92	03/05/93	41.50	—	—	41.50	—
Estonia	1	09/16/92	09/15/93	—	—	27.90	—	15.11
Gabon	4	09/30/91	03/29/93	28.00	—	—	24.00	—
Guatemala	12	12/18/92	03/17/94	—	—	54.00	—	54.00
India	6	10/31/91	06/30/93	1,656.00	1,104.00	—	—	231.00
Jamaica	9	06/28/91	09/30/92[6]	43.65	—	—	—	—
Jordan	2	02/26/92	08/25/93	44.40	—	—	—	11.10
Latvia	1	09/14/92	09/13/93	—	—	54.90	—	19.83
Lithuania	1	10/21/92	09/20/93	—	—	56.93	—	26.45
Mongolia	1	10/04/91	12/31/92[7]	22.50	—	—	8.75	—
Morocco	14	01/31/92	03/31/93	91.98	—	—	73.58	—
Nicaragua	12	09/18/91	03/17/93	40.86	—	—	23.83	—
Panama	17	02/24/92	12/23/93	93.68	—	—	—	58.83
Papua New Guinea	2	07/31/91	09/30/92	26.36	—	—	26.36	—
Philippines	19	02/20/91	03/31/93[8]	334.20	—	—	—	—
Poland	2	03/08/93	03/07/94	—	—	476.00	—	476.00
Romania	5	05/29/92	03/28/93[9]	—	—	314.04	52.34	—
Russia	1	08/05/92	01/04/93	—	—	719.00	—	—
Uruguay	16	07/01/92	06/30/93	—	—	50.00	—	34.03
Total				4,859.03	2,205.16	1,970.81	639.43	2,530.18

[1]Refers to total number of stand-by arrangements approved for member since 1953.
[2]Extended from April 7, 1992.
[3]Czechoslovakia was replaced by the Czech Republic and the Slovak Republic on January 1, 1993.
[4]Canceled prior to original expiration date of April 2, 1993.
[5]Extended from November 30, 1992, March 1, 1993, and March 22, 1993, and amount decreased from SDR 278.00 million.
[6]Extended from June 30, 1992.
[7]Extended from October 3, 1992.
[8]Extended from August 19, 1992 and December 31, 1992. Amount approved includes augmentation for interest support of SDR 70.00 million.
[9]Amount approved includes SDR 245.61 million of ordinary resources substituted for borrowed resources.

Table II.4

Extended Fund Facility Arrangements in Effect During Financial Year Ended April 30, 1993
(In millions of SDRs)

		Arrangement Dates		Amounts Approved			Undrawn Balance	
				Through 4/30/92		In 1992/93		
Member	Number[1]	Effective date	Expiration date	Total amount	Borrowed resources	Total amount	At date of termination	As at 4/30/93
Argentina	1	03/31/92	03/30/95[2]	2,483.15	1,261.01	—	—	1,182.16
Hungary	1	02/20/91	02/19/94	1,114.00	431.07	—	—	556.77
Jamaica	4	12/11/92	12/10/95	—	—	109.13	—	100.13
Mexico	3	05/26/89	05/25/93[3]	3,729.60	2,481.60	—	—	466.20
Peru	2	03/18/93	03/17/96	—	—	1,018.10	—	375.41
Poland	1	04/18/91	03/08/93[4]	1,224.00	459.50	—	1,147.50	—
Tunisia	1	07/25/88	07/24/92[5]	207.30	24.77	—	—	—
Venezuela	1	06/23/89	03/22/93[6]	3,857.10	1,937.00	—	1,851.50	—
Zimbabwe	1	01/24/92	09/11/92[7]	343.80	76.40	—	272.60	—
Zimbabwe	2	09/11/92	09/10/95	—	—	114.60	—	83.30
Total				12,958.95	6,671.34	1,241.83	3,271.60	2,763.97

[1]Refers to total number of extended arrangements approved for member since 1953.
[2]Amount approved includes augmentation for interest support of SDR 333.90 million.
[3]Amount approved includes augmentation for interest support of SDR 466.20 million. Extended from May 25, 1992.
[4]Cancelled prior to original expiration date of April 17, 1994.
[5]Amount decreased to SDR 138.20 million, then extended from July 24, 1991 and amount increased to SDR 207.30 million.
[6]Amount approved includes augmentation for interest support of SDR 154.00 million. Extended from June 22, 1992 and September 22, 1992.
[7]Cancelled prior to original expiration date of January 23, 1995.

Table II.5

Arrangements Under the Structural Adjustment Facility Through Financial Year Ended April 30, 1993
(In millions of SDRs)

	Arrangement Dates		Amounts Approved[1]		Disbursements	Undisbursed	
Member	Date of approval	Date of expiration	Through 4/30/92	In 1992/93	Through 4/30/93	At expiration/ replacement	As at 4/30/93
Bangladesh	02/06/87	02/05/90	201.25	—	201.25	—	—
Benin	06/16/89	06/15/92	21.91	—	15.65	6.26	—
Bolivia	12/15/86	07/27/88	63.49	—	18.14	45.35[2]	—
Burkina Faso	03/13/91	03/31/93	22.12	—	6.32	15.80[2]	—
Burundi	08/08/86	08/07/89	29.89	—	29.89	—	—
Central African Republic	06/01/87	05/31/90	21.28	—	21.28	—	—
Chad	10/30/87	10/29/90	21.42	—	21.42	—	—
Comoros	06/21/91	06/20/94	3.15	—	0.90	—	2.25
Dominica	11/26/86	11/25/89	2.80	—	2.80	—	—
Equatorial Guinea	12/07/88	12/06/91[3]	12.88	—	9.20	3.68[2]	—
Ethiopia	10/28/92	10/27/95	—	49.42	14.12	—	35.30
Gambia, The	09/17/86	11/23/88	11.97	—	8.55	3.42[2]	—
Ghana	11/06/87	11/09/88	143.15	—	40.90	102.25[2]	—
Guinea	07/29/87	07/28/90	28.95	—	28.95	11.58	—
Guinea-Bissau	10/14/87	10/13/90	3.75	—	3.75	1.50	—
Haiti	12/17/86	12/16/89	8.82	—	8.82	22.05	—
Kenya	02/01/88	05/15/89	99.40	—	28.40	71.00[2]	—
Lao People's Democratic Republic	09/18/89	09/17/92[3]	20.51	—	20.51	—	—
Lesotho	06/29/88	06/28/91	10.57	—	10.57	—	—
Madagascar	08/31/87	05/15/89	46.48	—	13.28	33.20	—
Mali	08/05/88	08/04/91	35.56	—	25.40	10.16[2]	—
Mauritania	09/22/86	05/24/89	23.73	—	16.95	6.78[2]	—
Mozambique	06/08/87	06/07/90	42.70	—	42.70	—	—
Nepal	10/14/87	10/13/90	26.11	—	26.11	—	—
Niger	11/17/86	12/12/88	23.59	—	16.85	6.74[2]	—
Pakistan	12/28/88	12/27/91[3]	382.41	—	382.41	—	—
Rwanda	04/24/91	04/23/94	30.66	—	8.76	—	21.90
Sao Tome and Principe	06/02/89	06/01/92	0.80	—	0.80	2.00	—
Senegal	11/10/86	11/21/88	59.57	—	42.55	17.02[2]	—
Sierra Leone	11/14/86	11/13/89	11.58	—	11.58	28.95	—
Somalia	06/29/87	06/28/90	8.84	—	8.84	22.10	—
Sri Lanka	03/09/88	03/08/91	156.17	—	156.17	—	—
Tanzania	10/30/87	10/29/90	74.90	—	74.90	—	—
Togo	03/16/88	05/31/89	26.88	—	7.68	19.20[2]	—
Uganda	06/15/87	04/17/89	69.72	—	49.80	19.92[2]	—
Zaïre	05/15/87	05/14/90	145.50	—	145.50	58.20	—
Total			1,892.51	49.42	1,521.70	507.16	59.45

[1]The following have been reduced as a consequence of expiration of commitment period: Guinea, SDR 11.58 million; Guinea-Bissau, SDR 1.50 million; Haiti, SDR 22.05 million; Sao Tome and Principe, SDR 2.00 million; Sierra Leone, SDR 28.95 million; Somalia, SDR 22.10 million; and Zaïre, SDR 58.20 million.

[2]See Table II.6 for undisbursed amounts that subsequently were committed under an ESAF arrangement that replaced the SAF arrangement on date shown as SAF expiration date.

[3]Expiration date for third annual arrangement is as follows: Equatorial Guinea, December 3, 1992; Lao People's Democratic Republic, May 4, 1993; and Pakistan, December 15, 1992.

Table II.6

Arrangements Under the Enhanced Structural Adjustment Facility Through Financial Year Ended April 30, 1993
(In millions of SDRs)

Member	Arrangement Dates: Date of approval	Arrangement Dates: Date of expiration[1]	Approved Through 4/30/92: Total amount	Approved Through 4/30/92: ESAF Trust resources	Approved in 1992/93: Total amount	Approved in 1992/93: ESAF Trust resources	Disbursements Through 4/30/93: Total	Disbursements Through 4/30/93: ESAF Trust[2]	Undisbursed as at 4/30/93
Bangladesh	08/10/90	09/13/93[3]	345.00	345.00	—	—	345.00	345.00	—
Benin	01/25/93	01/24/96	—	—	46.95	39.95	7.83	4.33	39.13
Bolivia	07/27/88	09/10/93[4]	163.26	117.91	—	—	149.66	104.31	13.61
Burkina Faso	03/31/93	03/30/96	—	—	48.62	32.82	8.84	4.10	39.78
Burundi	11/13/91	11/12/94	42.70	42.70	—	—	19.21	19.21	23.49
Equatorial Guinea	02/03/93	02/02/96	—	—	12.88	9.93	2.76	1.29	10.12
Gambia, The	11/23/88	11/22/91	20.52	17.10	—	—	20.52	17.10	—
Ghana	11/09/88	03/05/92[5]	388.55	286.30	—	—	388.55	286.30	—
Guinea	11/06/91	11/05/94	57.90	57.90	—	—	17.37	17.37	40.53
Guyana	07/13/90	12/20/93	81.52	47.08	—	—	72.67	43.15	8.86
Honduras	07/24/92	07/23/95	—	—	40.68	40.68	6.78	6.78	33.90
Kenya	05/15/89	03/31/93[6]	261.40	190.40	—	—	216.17	145.17	—
Lesotho	05/22/91	05/21/94	18.12	18.12	—	—	10.57	10.57	7.55
Madagascar	05/15/89	05/14/92	76.90	43.70	—	—	51.27	18.07	—
Malawi	07/15/88	05/31/93[7]	66.96	40.92	—	—	61.38	35.34	5.58
Mali	08/28/92	08/27/95	—	—	60.96	50.80	10.16	5.08	50.80
Mauritania	05/24/89	12/08/94[8]	16.95	13.56	33.90	30.49	25.43	18.63	25.43
Mozambique	06/01/90	09/30/93[9]	100.65	100.65	—	—	85.40	85.40	15.25
Nepal	10/05/92	10/04/95	—	—	33.57	33.57	5.60	5.60	27.98
Niger	12/12/88	12/11/91[10]	47.18	40.44	—	—	23.59	16.85	—
Senegal	11/21/88	06/02/92	144.67	127.65	—	—	144.67	127.65	—
Sri Lanka	09/13/91	09/12/94	336.00	336.00	—	—	168.00	168.00	168.00
Tanzania	07/29/91	07/28/94	181.90	181.90	—	—	85.60	85.60	96.30
Togo	05/31/89	05/19/93	46.08	26.88	—	—	38.40	19.20	7.68
Uganda	04/17/89	11/24/93[11]	219.12	199.20	—	—	199.20	179.28	19.92
Zimbabwe	09/11/92	09/10/95	—	—	200.60	200.60	54.70	54.70	145.90
Total			2,615.38	2,233.41	478.16	438.84	2,219.30	1,824.05	779.79

[1] Expiration date for three-year arrangement, or for third or fourth annual arrangement, if applicable.
[2] Financed with drawings under the following ESAF borrowing agreements: Export-Import Bank of Japan (SDR 608.7 million); Caisse Centrale de Cooperation Economique-France (SDR 374.0 million); Bank of Spain (SDR 165.8 million); Canada (SDR 66.1 million); Bank of Norway (SDR 24.2 million); Korea (SDR 14.4 million); Ufficio Italiano dei Cambi (SDR 84.0 million); and Kreditanstalt fur Wiederaufbau—Germany (SDR 290.5 million). Drawings were also made under the associated loan agreement with the Saudi Fund for Development (SDR 19.5 million). The balance of SDR 177.0 million was financed using resources available under the borrowing agreement with the Swiss Confederation.
[3] Amount increased from SDR 258.75 million.
[4] Amount increased from SDR 136.05 million.
[5] Amount increased from SDR 368.10 million.
[6] Amount increased from SDR 241.40 million.
[7] Amount increased from SDR 55.80 million.
[8] Three-year arrangement expired on May 23, 1992. An additional two-year arrangement for the undrawn balance was approved on December 9, 1992.
[9] Amount increased from SDR 85.40 million.
[10] Decreased from SDR 50.55 million to SDR 47.18 million. Undrawn balance of SDR 23.59 million at expiration.
[11] Amount increased from SDR 179.28 million.

Table II.7

Summary of Disbursements, Repurchases, and Repayments, Financial Years Ended April 30, 1948–93
(In millions of SDRs)

Financial Year	Disbursements					Repurchases and Repayments				Total Fund Credit Outstanding[4]
	Purchases[1]	Trust Fund loans	SAF loans	ESAF loans[2]	Total	Repurchases[3]	Trust Fund repayments	SAF repayments	Total	
1948	606.04				606.04					133.90
1949	119.44				119.44					192.70
1950	51.80				51.80	24.21			24.21	204.10
1951	28.00				28.00	19.09			19.09	175.80
1952	46.25				46.25	36.58			36.58	213.50
1953	66.12				66.12	184.96			184.96	178.20
1954	231.29				231.29	145.11			145.11	132.10
1955	48.75				48.75	276.28			276.28	54.90
1956	38.75				38.75	271.66			271.66	72.00
1957	1,114.05				1,114.05	75.04			75.04	610.60
1958	665.73				665.73	86.81			86.81	1,026.50
1959	263.52				263.52	537.32			537.32	897.60
1960	165.53				165.53	522.41			522.41	329.60
1961	577.00				577.00	658.60			658.60	551.50
1962	2,243.20				2,243.20	1,260.00			1,260.00	1,022.80
1963	579.97				579.97	807.25			807.25	1,058.90
1964	625.90				625.90	380.41			380.41	951.80
1965	1,897.44				1,897.44	516.97			516.97	1,480.10
1966	2,817.29				2,817.29	406.00			406.00	3,039.00
1967	1,061.28				1,061.28	340.12			340.12	2,945.30
1968	1,348.25				1,348.25	1,115.51			1,115.51	2,462.50
1969	2,838.85				2,838.85	1,542.33			1,542.33	3,299.00
1970	2,995.65				2,995.65	1,670.69			1,670.69	4,020.20
1971	1,167.41				1,167.41	1,656.86			1,656.86	2,556.30
1972	2,028.49				2,028.49	3,122.33			3,122.33	840.20
1973	1,175.43				1,175.43	540.30			540.30	998.20
1974	1,057.72				1,057.72	672.49			672.49	1,084.70
1975	5,102.45				5,102.45	518.08			518.08	4,869.20
1976	6,591.42				6,591.42	960.10			960.10	9,759.80
1977	4,910.33	31.61			4,941.94	868.19			868.19	13,686.91
1978	2,503.01	268.24			2,771.25	4,485.01			4,485.01	12,366.05
1979	3,719.58	670.05			4,389.63	4,859.18			4,859.18	9,843.30
1980	2,433.26	961.54			3,394.80	3,775.83			3,775.83	9,967.44
1981	4,860.01	1,059.87			5,919.88	2,852.93			2,852.93	12,536.13
1982	8,040.62				8,040.62	2,009.88			2,009.88	17,792.93
1983	11,391.89				11,391.89	1,555.12	18.45		1,573.57	26,562.76
1984	11,517.73				11,517.73	2,017.65	110.97		2,128.62	34,603.47
1985	6,288.87				6,288.87	2,730.39	212.34		2,942.73	37,622.18
1986	4,101.22				4,101.22	4,289.01	412.71		4,701.72	36,877.03
1987	3,684.56		139.34		3,823.90	6,169.32	579.32		6,748.64	33,443.29
1988	4,152.56		444.87		4,597.43	7,934.57	528.15		8,462.72	29,542.99
1989	2,541.18		290.14	264.00	3,095.32	6,257.74	447.23		6,704.97	25,520.37
1990	4,502.68		418.59	407.67	5,328.94	6,042.09	355.52		6,397.61	24,388.23
1991	6,955.43		83.71	491.13	7,530.27	5,440.22	167.80		5,608.02	25,603.03
1992	5,308.11		125.07	483.24	5,916.42	4,768.02	0.09	1.87	4,769.98	26,735.92
1993	8,465.22		19.98	573.26	9,058.46	4,082.79		35.83	4,118.62	28,496.47

[1] Purchases include reserve tranche purchases.
[2] ESAF loans include SDR 395.26 million of SAF resources disbursed under ESAF arrangements.
[3] Repurchases exclude sale of currency and adjustments that have the effect of repurchase.
[4] End of year.

Table II.8

Purchases from the Fund, Financial Year Ended April 30, 1993
(In millions of SDRs)

Member	Reserve Tranche	Stand-By Arrangements: Ordinary resources	Stand-By Arrangements: Substituted resources	Extended Arrangements: Ordinary resources	Extended Arrangements: Substituted resources	Compensatory and Contingency Financing Facility	Emergency Purchases	Total Purchases
Afghanistan, Islamic State of	8.43	—	—	—	—	—	—	8.43
Albania	2.58	13.13	—	—	—	—	—	15.70
Algeria	72.83	—	—	—	—	—	—	72.83
Angola	15.58	—	—	—	—	—	—	15.58
Antigua and Barbuda	0.88	—	—	—	—	—	—	0.88
Argentina	106.03	—	—	1,207.14	78.85	—	—	1,392.01
Armenia	15.84	—	—	—	—	—	—	15.84
Azerbaijan	27.46	—	—	—	—	—	—	27.46
Bahamas, The	7.13	—	—	—	—	—	—	7.13
Bangladesh	26.25	—	—	—	—	—	—	26.25
Barbados	3.70	6.14	—	—	—	—	—	9.84
Belarus	65.80	—	—	—	—	—	—	65.80
Benin	3.50	—	—	—	—	—	—	3.50
Bhutan	0.50	—	—	—	—	—	—	0.50
Brazil	177.38	—	—	—	—	—	—	177.38
Bulgaria	—	20.67	72.33	—	—	—	—	93.00
Burkina Faso	3.15	—	—	—	—	—	—	3.15
Burundi	5.00	—	—	—	—	—	—	5.00
Cameroon	10.60	—	—	—	—	—	—	10.60
Cape Verde	0.63	—	—	—	—	—	—	0.63
Central African Republic	2.70	—	—	—	—	—	—	2.70
Chad	2.68	—	—	—	—	—	—	2.68
Chile	45.30	—	—	—	—	—	—	45.30
Congo	5.15	—	—	—	—	—	—	5.15
Côte d'Ivoire	18.18	—	—	—	—	—	—	18.18
Croatia	20.38	—	—	—	—	—	—	20.38
Czech Republic[1]	—	70.00	—	—	—	—	—	70.00
Czechoslovakia[1]	64.25	18.00	—	—	—	—	—	82.25
Dominica	0.50	—	—	—	—	—	—	0.50
Dominican Republic	11.68	39.24	—	—	—	—	—	50.92
El Salvador	9.15	—	—	—	—	—	—	9.15
Equatorial Guinea	1.48	—	—	—	—	—	—	1.48
Estonia	10.91	12.79	—	—	—	—	—	23.70
Gabon	9.30	—	—	—	—	—	—	9.30
Georgia	26.05	—	—	—	—	—	—	26.05
Grenada	0.63	—	—	—	—	—	—	0.63
Guatemala	11.45	—	—	—	—	—	—	11.45
Guinea	5.20	—	—	—	—	—	—	5.20
Guinea-Bissau	0.75	—	—	—	—	—	—	0.75
Guyana	4.50	—	—	—	—	—	—	4.50
Honduras	6.80	—	—	—	—	—	—	6.80
India	—	385.00	770.00	—	—	—	—	1,155.00
Iran, Islamic Rep. of	104.63	—	—	—	—	—	—	104.63
Israel	54.90	—	—	—	—	—	—	54.90
Jamaica	13.85	21.85	—	9.00	—	—	—	44.70

Jordan	11.95	25.90	—	—	—	—	—	37.85
Kazakhstan	58.08	—	—	—	—	—	—	58.08
Kenya	14.35	—	—	—	—	—	—	14.35
Kiribati	0.38	—	—	—	—	—	—	0.38
Kyrgyzstan	15.14	—	—	—	—	—	—	15.14
Lao People's Democratic Republic	2.45	—	—	—	—	—	—	2.45
Latvia	21.47	35.08	—	—	—	—	—	56.55
Lithuania	24.29	30.48	—	—	—	—	—	54.76
Madagascar	6.00	—	—	—	—	—	—	6.00
Malawi	3.43	—	—	—	—	—	—	3.43
Mali	4.53	—	—	—	—	—	—	4.53
Marshall Islands	0.59	—	—	—	—	—	—	0.59
Mauritania	3.40	—	—	—	—	—	—	3.40
Mexico	146.95	—	—	233.10	—	—	—	380.05
Moldova	21.12	—	—	—	—	13.50	—	34.62
Mongolia	3.03	2.50	—	—	—	—	—	5.53
Mozambique	5.75	—	—	—	—	—	—	5.75
Myanmar	11.98	—	—	—	—	—	—	11.98
Namibia	7.40	—	—	—	—	—	—	7.40
Nepal	3.68	—	—	—	—	—	—	3.68
Nicaragua	6.98	—	—	—	—	—	—	6.98
Niger	3.65	—	—	—	—	—	—	3.65
Nigeria	108.03	—	—	—	—	—	—	108.03
Pakistan	52.98	—	—	—	—	—	189.55	242.53
Panama	—	9.80	—	—	—	—	—	9.80
Papua New Guinea	7.35	—	—	—	—	—	—	7.35
Peru	33.80	—	—	642.69	—	—	—	676.49
Philippines	—	220.95	—	—	—	—	—	220.95
Romania	57.68	68.43	193.27	—	—	76.80	—	396.18
Russia	1,012.13	719.00	—	—	—	—	—	1,731.13
Sao Tome and Principe	0.38	—	—	—	—	—	—	0.38
Senegal	8.45	—	—	—	—	—	—	8.45
Solomon Islands	0.63	—	—	—	—	—	—	0.63
South Africa	112.43	—	—	—	—	—	—	112.43
St. Kitts and Nevis	0.50	—	—	—	—	—	—	0.50
St. Lucia	0.88	—	—	—	—	—	—	0.88
Togo	3.98	—	—	—	—	—	—	3.98
Trinidad and Tobago	19.18	—	—	—	—	—	—	19.18
Tunisia	16.95	—	—	27.06	24.77	—	—	68.78
Turkey	53.23	—	—	—	—	—	—	53.23
Turkmenistan	11.26	—	—	—	—	—	—	11.26
Uganda	8.58	—	—	—	—	—	—	8.58
Ukraine	234.03	—	—	—	—	—	—	234.03
Uruguay	—	15.98	—	—	—	—	—	15.98
Uzbekistan	46.82	—	—	—	—	—	—	46.82
Yemen	14.00	—	—	—	—	—	—	14.00
Zimbabwe	17.58	—	—	31.30	—	—	—	48.88
Total	3,180.95	1,714.92	1,035.60	2,150.28	103.62	90.30	189.55	8,465.22

[1]Czechoslovakia was replaced by the Czech Republic and the Slovak Republic on January 1, 1993.

Table II.9

Repurchases from the Fund, Financial Year Ended April 30, 1993
(In millions of SDRs)

Member	Ordinary Resources			Borrowed Resources		
	Stand-by/ credit tranche	Extended Fund facility	Compensatory and contingency financing facility	Supplementary financing facility	Enlarged access resources	Total Repurchases
Algeria	58.39	—	118.20	—	—	176.59
Argentina	67.83	—	181.42	—	191.44	440.69
Bangladesh	38.94	—	—	—	—	38.94
Bolivia	—	—	22.64	—	—	22.64
Bosnia and Herzegovina	—	—	—	—	0.01	0.01
Brazil	182.65	228.59	—	—	—	411.24
Cambodia[1]	—	—	6.25	—	—	6.25
Cameroon	17.38	—	23.18	—	—	40.56
Central African Republic	0.13	—	—	—	0.88	1.00
Chile	12.69	54.86	—	—	88.80	156.35
Costa Rica	—	—	—	—	1.25	1.25
Côte d'Ivoire	2.49	7.07	41.38	—	10.79	61.72
Croatia	13.08	—	—	—	4.81	17.88
Dominica	—	0.32	—	—	—	0.32
Dominican Republic	—	9.09	—	—	—	9.09
Ecuador	7.90	—	16.01	—	16.26	40.17
Egypt	14.50	—	—	—	—	14.50
Gabon	11.16	—	—	—	14.50	25.66
Gambia, The	0.51	—	—	—	—	0.51
Ghana	—	6.81	—	—	39.38	46.19
Guatemala	11.58	—	10.80	—	—	22.38
Hungary	32.68	—	—	—	—	32.68
India	—	225.00	—	—	—	225.00
Indonesia	—	—	57.86	—	—	57.86
Jamaica	31.50	—	—	—	23.00	54.50
Jordan	7.98	—	11.94	—	—	19.92
Kenya	29.34	—	20.00	—	5.59	54.94
Macedonia, former Yugoslav Republic of	2.48	—	—	—	0.91	3.39
Madagascar	1.67	—	—	—	8.42	10.09
Malawi	4.63	3.09	—	—	3.88	11.59
Mali	2.22	—	—	—	2.40	4.62
Mauritania	3.50	—	—	—	—	3.50
Mexico	22.79	187.25	170.06	—	288.77	668.86
Morocco	37.08	—	—	—	52.29	89.37
Niger	—	—	—	—	4.77	4.77
Pakistan	87.41	28.12	—	—	—	115.53
Panama	—	—	—	—	10.25	10.25
Peru	30.00	113.88	235.60	61.93	36.52	477.93
Philippines	17.50	—	—	—	65.92	83.42
Romania	—	—	153.40	—	—	153.40
Senegal	10.02	—	—	—	13.56	23.58
Yugoslavia, Federal Republic of (Serbia/Montenegro)	—	—	—	—	0.02	0.02
Slovenia	7.52	—	—	—	2.77	10.29
Sri Lanka	—	—	54.40	—	—	54.40
Tanzania	1.56	—	—	—	—	1.56
Togo	2.17	—	—	—	5.18	7.34
Trinidad and Tobago	31.84	—	42.53	—	—	74.36
Tunisia	15.75	—	—	—	—	15.75
Uganda	—	—	15.53	—	—	15.53
Uruguay	—	—	—	—	15.72	15.72

Table II.9 *(concluded)*

Member	Ordinary Resources			Borrowed Resources		
	Stand-by/ credit tranche	Extended Fund facility	Compensatory and contingency financing facility	Supplementary financing facility	Enlarged access resources	Total Repurchases
Venezuela	171.44	—	—	—	—	171.44
Western Samoa	—	—	—	—	0.05	0.05
Yugoslavia[2]	15.30	—	—	—	20.16	35.46
Zambia	2.39	—	23.34	—	14.34	40.06
Total	1,007.98	864.08	1,204.52	61.93	942.60	4,081.12

[1]Does not include a gold tranche repurchase of SDR 1.67 million.
[2]Former Socialist Federal Republic of Yugoslavia; Yugoslavia ceased to be a member of the Fund effective December 14, 1992.

Table II.10

Outstanding Fund Credit by Facility and Policy, at End of Financial Years Ended April 30, 1987–93

(In millions of SDRs)

	1987		1988		1989		1990		1991		1992		1993	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
Stand-by arrangements[1]														
Ordinary resources	6,575	19.7	5,732	19.4	5,964	23.4	5,119	21.0	5,196	20.3	5,870	22.0	6,766	23.7
Substituted resources	—	—	—	—	—	—	—	—	—	—	275	1.0	1,310	4.6
Supplementary financing	2,061	6.2	1,064	3.6	527	2.1	226	0.9	151	0.6	142	0.5	80	0.3
Enlarged access policy	6,380	19.1	6,500	22.0	5,458	21.4	4,648	19.1	3,976	15.5	3,183	11.9	2,421	8.5
Extended Fund facility arrangements														
Ordinary resources	6,242	18.7	5,762	19.5	5,055	19.8	5,472	22.4	5,823	22.7	5,583	20.9	6,869	24.1
Substituted resources	—	—	—	—	—	—	—	—	—	—	267	1.0	370	1.3
Supplementary financing	1,708	5.1	1,097	3.7	599	2.3	249	1.0	117	0.5	117	0.4	117	0.4
Enlarged access policy	3,867	11.6	3,329	11.3	2,409	9.4	2,561	10.5	2,500	9.8	2,674	10.0	2,493	8.7
Compensatory and contingency financing	4,779	14.3	4,342	14.7	3,689	14.5	3,823	15.7	5,142	20.1	5,322	19.9	4,208	14.8
Buffer stock financing	34	0.1	3	—	—	—	—	—	—	—	—	—	—	—
Subtotal (General Resources Account)	31,646	94.6	27,829	94.2	23,700	92.9	22,098	90.6	22,906	89.5	23,432	87.6	24,635	86.5
SAF arrangements	139	0.4	584	2.0	874	3.4	1,293	5.3	1,377	5.4	1,500	5.6	1,484	5.2
ESAF arrangements[2]	—	—	—	—	264	1.0	672	2.8	1,163	4.5	1,646	6.2	2,219	7.8
Trust Fund	1,658	5.0	1,129	3.8	682	2.7	326	1.3	158	0.6	158	0.6	158	0.6
Total	33,443	100.0	29,543	100.0	25,520	100.0	24,388	100.0	25,603	100.0	26,736	100.0	28,496	100.0

[1]Includes outstanding first credit tranche and emergency purchases.
[2]Includes outstanding associated loans from the Saudi Fund for Development.

Table II.11

Borrowed Resources and Repayments to Lenders (Excluding the GAB and ESAF), May 29, 1980–April 30, 1993
(In millions of SDRs)

	Total Amount of Agreement (1)	Amount Borrowed (2)	As Percent of Total (3)	Repayments (4)	Outstanding Balance (2)–(4) (5)	Balance Available (1)–(2) (6)
Enlarged access resources						
Medium-term						
Saudi Arabian Monetary Agency (SAMA)	8,000	8,000	100	7,625	375	—
Short-term						
Concluded in 1981[1]	1,275	1,275	100	1,275	—	—
Concluded in 1984	6,000	4,200	70	4,200	—	—
Of which						
BIS, Japan, and BNB	3,000	3,000	100	3,000	—	—
SAMA	3,000	1,200	40	1,200	—	—
Subtotal	15,275	13,475	88	13,100	375	—
Borrowing agreement with Japan	3,000	3,000	100	15	2,985	—
Supplementary financing facility	7,784	7,232	93	7,232	—	—
Total	26,059	23,707	91	20,347	3,360	—

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

Table II.12

Enhanced Structural Adjustment Facility, Contributions as of April 30, 1993[1]
(In millions of SDRs)

Contributor	Subsidies (Grant or grant equivalent)[2]	Loans[3]
Austria	(44)	...
Belgium	(87)	...
Canada	(160)	300
Denmark	47	...
Finland	39	...
France	(374)	800
Germany	154	700
Greece	(26)	...
Iceland	3	...
Italy	(198)	370
Japan	393	2,200[4]
Korea	(49)	65
Luxembourg	5	...
Malaysia	(36)	...
Malta	1	...
Netherlands	71	...
Norway	28	90
Saudi Arabia	(107)	200
Singapore	(25)	...
Spain	...	220
Sweden	123	...
Switzerland	(118)	200
United Kingdom	361	...
United States	105	...
Total	2,535[5]	5,145

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

[2]The subsidy contributions listed take a variety of forms, including grants and the grant element of resources provided for the benefit of the ESAF at concessional rates of interest. Figures indicated are partly staff estimates taking into account information on the likely timing of subsidy contributions in relation to projected operational needs and estimated investment earnings on balances held by or for the benefit of the Subsidy Account. Amounts in parentheses represent estimates of the subsidy value of contributions at concessional interest rates or in the form of grants sufficient to reduce the effective interest rate on accompanying loans to 0.5 percent or less; in general, the calculated subsidy value of these contributions will rise or fall with increases or decreases in interest rates over time. The other amounts listed are based on specific grant amounts indicated by contributors. Contributions expressed in local currency are valued at April 30, 1993 exchange rates.

[3]Loan contributions are provided either at concessional interest rates or on the basis of weighted averages of market interest rates in the five currencies comprising the SDR basket.

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

[5]Total also includes a contribution that has not been announced publicly. In addition, the sum of individual contributions has been adjusted downward to take into account estimated additional loan costs.

Table II.13

Summary of Transactions and Operations in SDRs, Financial Year Ended April 30, 1993

(In thousands of SDRs)

Holders	Total Holdings April 30, 1992	Receipts from Participants and Prescribed Holders: Designated	Receipts from Participants and Prescribed Holders: Other	Transfers to Participants and Prescribed Holders: Designated	Transfers to Participants and Prescribed Holders: Other	Receipts from the General Resources Account	Transfers to the General Resources Account	Interest, Charges, and Assess-ment (Net)	Positions as of April 30, 1993: Holdings	Positions as of April 30, 1993: Net cumulative allocations	Positions as of April 30, 1993: Holdings as percent of cumulative allocations
PARTICIPANTS											
Afghanistan, Islamic State of	4,270	—	8,425	—	8,425	8,425	8,425	(1,418)	2,852	26,703	10.7
Albania	—	—	2,575	—	6,009	6,331	2,897	1	1	—	—
Algeria	487	—	122,989	—	105,388	110,940	119,445	(7,822)	1,762	128,640	1.4
Angola	90	—	15,575	—	15,575	15,575	15,575	6	96	—	—
Antigua and Barbuda	4	—	875	—	875	875	875	—	4	—	—
Argentina	157,861	—	106,025	—	529,813	809,162	230,361	(11,187)	301,688	318,370	94.8
Armenia	—	—	15,840	—	15,840	15,840	15,840	—	—	—	—
Australia	198,835	—	591	—	30,591	5,461	89,250	(18,412)	66,634	470,545	14.2
Austria	195,162	—	375,322	—	376,060	12,733	103,175	(435)	103,548	179,045	57.8
Azerbaijan	—	—	27,456	—	27,456	27,456	27,456	—	—	—	—
Bahamas, The	307	—	7,232	—	7,125	7,445	7,125	(623)	112	10,230	1.1
Bahrain	18,056	—	—	—	—	111	8,475	750	10,442	6,200	168.4
Bangladesh	22,096	—	51,250	—	8,102	27,039	41,986	(1,784)	48,513	47,120	103.0
Barbados	860	—	4,850	—	6,000	7,450	6,001	(478)	682	8,039	8.5
Belarus	—	—	65,799	—	65,799	65,799	65,799	—	—	—	—
Belgium	401,472	—	83,925	—	110,299	12,505	255,475	(8,182)	123,946	485,246	25.5
Belize	93	—	1,000	—	—	73	1,000	11	176	—	—
Benin	213	—	4,149	—	3,500	3,500	3,500	(575)	287	9,409	3.1
Bhutan	312	—	500	—	500	519	500	20	351	—	—
Bolivia	1,706	—	895	—	—	1,350	1,802	(1,619)	530	26,703	2.0
Bosnia and Herzegovina[1]	—	—	—	—	—	—	—	—	—	20,481	—
Botswana	24,620	—	—	—	—	634	3,625	1,254	22,882	4,359	525.0
Brazil	3,216	—	267,038	—	177,375	214,571	279,905	(21,844)	5,700	358,670	1.6
Bulgaria	8,200	—	38,725	—	—	26,063	66,361	280	6,907	—	—
Burkina Faso	5,601	—	3,150	—	3,150	3,362	3,150	(236)	5,576	9,409	59.3
Burundi	1,597	—	—	—	—	71	—	(760)	907	13,697	6.6
Cambodia	—	—	—	—	—	—	—	—	—	15,417	—
Cameroon	369	—	56,326	—	10,600	11,119	55,865	(1,324)	25	24,463	0.1
Canada	1,113,202	—	253,325	—	288,325	10,032	344,825	17,597	761,006	779,290	97.7
Cape Verde	28	—	675	—	625	625	625	(37)	41	620	6.6
Central African Republic	171	—	4,079	—	2,702	2,826	3,784	(566)	24	9,325	0.3
Chad	229	—	2,888	—	2,675	2,817	2,675	(578)	7	9,409	0.1
Chile	1,687	—	33,840	—	45,300	69,197	42,237	(7,373)	9,814	121,924	8.0
China	408,784	—	72,825	—	192,825	11,408	—	9,594	309,786	236,800	130.8
Colombia	114,181	—	72,000	—	29,925	255	41,775	(638)	114,098	114,271	99.8
Comoros	58	—	580	—	2	—	500	(41)	95	716	13.3
Congo	262	—	5,632	—	5,150	5,299	5,431	(596)	17	9,719	0.2
Costa Rica	1,870	—	12,325	—	—	1,379	12,964	(1,408)	1,202	23,726	5.1
Côte d'Ivoire	5,282	—	34,662	—	18,175	18,934	33,954	(2,217)	4,531	37,828	12.0
Croatia[1]	—	—	20,991	—	20,375	22,482	20,742	(1,246)	1,109	44,205	2.5

Cyprus	219	—	7,955	—	—	662	7,575	(1,174)	86	19,438	0.4
Czechoslovakia[2]	80,001	—	64,250	—	95,024	65,592	117,963	3,144	—	—	—
Czech Republic[2]	—	—	21,421	—	50,000	70,660	16,705	304	25,681	—	—
Denmark	156,028	—	104,731	—	66,297	11,026	89,725	(2,135)	113,627	178,864	63.5
Djibouti	176	—	—	—	—	35	—	(63)	148	1,178	12.6
Dominica	130	—	761	—	514	506	842	(35)	7	592	1.0
Dominican Republic	588	—	14,557	—	11,675	16,625	16,168	(1,926)	2,002	31,585	6.3
Ecuador	6,954	—	34,688	—	—	530	39,033	(1,733)	1,407	32,929	4.3
Egypt	50,002	—	67,842	—	4,021	579	64,405	(5,620)	44,376	135,924	32.6
El Salvador	413	—	9,150	—	9,150	10,293	9,167	(1,540)	—	24,985	—
Equatorial Guinea	5,525	—	6,675	—	11,715	1,482	1,475	(26)	465	5,812	8.0
Estonia	—	—	7,037	—	7,037	23,803	11,246	174	12,731	—	—
Ethiopia	220	—	7,425	—	—	139	6,925	(656)	204	11,160	1.8
Fiji	9,352	—	—	—	—	225	3,650	116	6,044	6,958	86.8
Finland	194,323	—	—	—	51,770	8,634	71,725	503	79,967	142,690	56.0
France	928,696	—	79,575	—	183,000	48,702	732,950	(18,817)	122,206	1,079,870	11.3
Gabon	189	—	40,372	—	9,300	9,621	40,052	(793)	37	14,091	0.3
Gambia, The	272	—	1,550	—	486	19	541	(268)	546	5,121	10.7
Georgia	—	—	26,048	—	26,048	26,048	26,048	—	—	—	—
Germany	1,350,338	—	318,675	—	442,722	115,592	709,904	2,725	634,704	1,210,760	52.4
Ghana	8,363	—	72,096	—	2,147	419	73,253	(3,633)	1,844	62,983	2.9
Greece	1,236	—	48,525	—	—	4,109	46,925	(6,381)	563	103,544	0.5
Grenada	—	—	625	—	625	683	625	(58)	—	930	—
Guatemala	449	—	11,450	—	—	14,207	13,758	(1,565)	10,783	27,678	39.0
Guinea	8,528	—	5,200	—	6,552	5,234	5,207	(571)	6,632	17,604	37.7
Guinea-Bissau	22	—	789	—	750	780	750	(75)	16	1,212	1.3
Guyana	777	—	5,867	—	4,797	8,099	7,990	(884)	1,072	14,530	7.4
Haiti	—	—	—	—	—	—	—	—	—	13,697	—
Honduras	1,042	—	11,811	—	6,800	8,358	11,836	(1,160)	1,415	19,057	7.4
Hungary	840	—	128,805	—	—	2,574	119,299	457	13,377	—	—
Iceland	367	—	7,030	—	—	210	6,425	(988)	194	16,409	1.2
India	116,397	—	135,000	—	231,000	548,489	453,912	(39,029)	75,945	681,170	11.1
Indonesia	5,859	—	126,575	—	—	7,176	123,152	(14,389)	2,069	238,956	0.9
Iran, Islamic Republic of	40,552	—	114,000	—	35,000	104,937	104,625	(10,342)	109,521	244,056	44.9
Iraq	—	—		—	—	—	—	—	—	68,464	—
Ireland	172,742	—	—	—	45,000	5,488	45,400	4,286	92,115	87,263	105.6
Israel	3,134	—	63,900	—	54,900	63,629	65,248	(6,323)	4,193	106,360	3.9
Italy	638,066	—	37,507	—	153,134	71,209	420,400	(8,952)	164,296	702,400	23.4
Jamaica	3,996	—	13,850	—	20,850	46,203	35,835	(2,414)	4,951	40,613	12.2
Japan	1,805,439	—	404,288	—	476,917	160,267	1,004,550	48,538	937,065	891,690	105.1
Jordan	3,596	—	16,250	—	4,415	6,994	17,620	(959)	3,845	16,887	22.8
Kazakhstan	—	—	58,080	—	58,080	58,080	58,080	—	—	—	—
Kenya	841	—	76,045	—	14,965	14,767	73,920	(2,181)	588	36,990	1.6
Kiribati	6	—	375	—	375	375	375	—	6	—	—
Korea	23,387	—	84,200	—	—	12,695	84,200	(2,831)	33,250	72,911	45.6
Kuwait	131,433	—	—	—	10,000	4,821	89,975	6,497	42,776	26,744	159.9
Kyrgyzstan	—	—	15,136	—	15,136	15,136	15,136	—	—	—	—
Lao People's Democratic Republic	179	—	3,350	—	2,542	2,450	2,450	(545)	442	9,409	4.7
Latvia	—	—	31,385	—	27,226	46,864	22,214	300	29,109	—	—
Lebanon	8,582	—	—	—	—	886	—	285	9,753	4,393	222.0
Lesotho	635	—	2,200	—	—	22	2,200	(197)	460	3,739	12.3
Liberia	—	—	—	—	—	—	—	—	—	21,007	—
Libya	330,577	—	—	—	—	13,157	75,475	16,859	285,118	58,771	485.1
Lithuania	—	—	24,288	—	34,288	48,715	24,865	14	13,864	—	—
Luxembourg	20,762	—	—	—	—	501	14,625	91	6,729	16,955	39.7

Table II.13 *(continued)*

Holders	Total Holdings April 30, 1992	Receipts from Participants and Prescribed Holders		Transfers to Participants and Prescribed Holders		Receipts from the General Resources Account	Transfers to the General Resources Account	Interest, Charges, and Assess-ment (Net)	Positions as of April 30, 1993		
		Designated	Other	Designated	Other				Holdings	Net cumulative allocations	Holdings as percent of cumulative allocations
Macedonia, former Yugoslav Repubic of[1]	—	—	—	—	—	340	—	(237)	104	8,379	1.2
Madagascar	388	—	7,755	—	6,000	6,877	7,312	(1,182)	526	19,270	2.7
Malawi	1,760	—	15,715	—	3,425	3,502	15,843	(606)	1,103	10,975	10.1
Malaysia	147,062	—	—	—	—	7,390	70,525	(105)	83,822	139,048	60.3
Maldives	18	—	875	—	—	6	875	(15)	10	282	3.2
Mali	611	—	6,223	—	4,525	4,750	5,543	(959)	557	15,912	3.5
Malta	65,334	—	7	—	30,000	983	5,600	2,984	33,707	11,288	298.6
Marshall Islands	—	—	591	—	591	591	591	—	—	—	—
Mauritania	158	—	4,150	—	3,483	3,461	3,582	(594)	110	9,719	1.1
Mauritius	22,246	—	3,000	—	—	46	4,925	323	20,690	15,744	131.4
Mexico	470,600	—	327,600	—	—	78,169	541,318	1,145	336,194	290,020	115.9
Moldova	—	—	21,120	—	21,120	34,620	21,188	—	13,433	—	—
Mongolia	29	—	3,025	—	3,025	4,117	3,942	2	206	—	—
Morocco	103,958	—	—	—	6,531	805	56,351	286	42,167	85,689	49.2
Mozambique	27	—	5,750	—	5,750	5,750	5,750	2	29	—	—
Myanmar	868	—	13,775	—	11,975	12,598	11,975	(2,676)	615	43,474	1.4
Namibia	10	—	7,400	—	7,400	7,400	7,400	1	11	—	—
Nepal	131	—	340	—	—	3,844	3,684	(496)	135	8,105	1.7
Netherlands	563,137	—	410,392	—	439,978	23,102	147,425	(1,094)	408,134	530,340	77.0
New Zealand	930	—	51,875	—	—	4,391	47,125	(8,688)	1,382	141,322	1.0
Nicaragua	752	—	7,291	—	6,975	8,834	8,200	(1,192)	510	19,483	2.6
Niger	448	—	4,549	—	3,850	3,965	4,240	(562)	310	9,409	3.3
Nigeria	2,963	—	110,125	—	108,025	114,766	108,025	(9,672)	2,131	157,155	1.4
Norway	357,060	—	49,097	—	187,403	18,700	101,400	7,727	143,780	167,770	85.7
Oman	16,009	—	—	—	—	1,382	14,075	495	3,811	6,262	60.9
Pakistan	10,625	—	75,725	—	241,865	252,659	77,388	(10,354)	9,402	169,989	5.5
Panama	1,871	—	26,365	—	—	1,940	26,815	(1,481)	1,881	26,322	7.1
Papua New Guinea	1,060	—	9,831	—	7,350	8,141	10,367	(550)	765	9,300	8.2
Paraguay	59,624	—	—	—	—	384	—	2,903	62,911	13,697	459.3
Peru	1,583	—	40,962	—	33,800	253,555	246,666	(5,632)	10,001	91,319	11.0
Philippines	3,659	—	86,470	—	216,600	248,044	112,946	(6,722)	1,904	116,595	1.6
Poland	4,615	—	104,125	—	—	11,074	120,177	572	209	—	—
Portugal	70,728	—	—	—	—	9,405	45,250	822	35,704	53,320	67.0
Qatar	34,315	—	—	—	—	905	18,900	1,172	17,492	12,822	136.4
Romania	97	—	83,074	—	102,675	283,883	258,812	(4,329)	1,238	75,950	1.6
Russia	—	—	1,022,827	—	1,727,727	1,738,834	1,023,176	126	10,884	—	—
Rwanda	6,628	—	—	—	—	126	3,925	(487)	2,342	13,697	17.1
St. Kitts and Nevis	—	—	500	—	500	500	500	—	—	—	—
St. Lucia	1,283	—	875	—	875	875	875	34	1,318	742	177.6
St. Vincent	10	—	600	—	—	3	500	(18)	94	354	26.9
San Marino	—	—	2,351	—	—	—	2,351	—	—	—	—
Sao Tome and Principe	18	—	427	—	378	379	375	(38)	34	620	5.3
Saudi Arabia	69,120	—	190,000	—	113,148	413,446	392,000	(4,885)	162,533	195,527	83.1
Senegal	1,241	—	14,948	—	9,380	8,582	10,460	(1,474)	3,457	24,462	14.1
Seychelles	32	—	—	—	—	4	—	(24)	12	406	3.0

Sierra Leone	—	—	6,243	—	1,458	2,801	3,349	(1,414)	2,822	17,455	16.2
Singapore	83,145	—	27,370	—	—	2,924	66,300	3,923	51,063	16,475	309.9
Slovak Republic[2]	—	—	9,352	—	—	3,067	6,947	133	5,605	—	—
Slovenia[1]	—	—	13,229	—	—	1,227	13,099	(719)	640	25,431	2.5
Solomon Islands	64	—	625	—	625	635	625	(37)	37	654	5.7
Somalia	—	—	—	—	—	—	—	—	—	13,697	—
South Africa	4,564	—	118,625	—	112,425	118,289	112,425	(13,558)	3,071	220,360	1.4
Spain	328,599	—	55,911	—	115,911	33,900	162,350	319	140,468	298,805	47.0
Sri Lanka	428	—	24,025	—	—	3,953	22,987	(4,305)	1,114	70,868	1.6
Sudan	—	—	—	—	—	2,059	—	(2,059)	—	52,192	—
Suriname	3	—	—	—	—	478	—	(481)	—	7,750	—
Swaziland	8,685	—	—	—	—	9	2,950	110	5,854	6,432	91.0
Sweden	260,373	—	25,163	—	126,066	14,884	137,425	(2,566)	34,363	246,525	13.9
Switzerland	—	—	840,036	—	164,236	6,202	578,500	630	104,132	—	—
Syrian Arab Republic	89	—	5,284	—	4,761	1,656	—	(2,261)	7	36,564	—
Tanzania	578	—	9,975	—	—	1,786	10,032	(1,904)	403	31,372	1.3
Thailand	5,902	—	47,224	—	—	8,499	46,825	(4,518)	10,282	84,652	12.1
Togo	686	—	5,374	—	3,975	4,016	4,955	(647)	500	10,975	4.5
Tonga	760	—	—	—	—	29	438	44	395	—	—
Trinidad and Tobago	981	—	42,675	—	19,175	28,454	46,397	(2,774)	3,765	46,231	8.1
Tunisia	16,033	—	25,463	—	17,285	27,918	46,512	(1,411)	4,206	34,243	12.3
Turkey	216	—	56,470	—	53,225	58,139	53,225	(6,924)	1,451	112,307	1.3
Turkmenistan	—	—	11,264	—	11,264	11,264	11,264	—	—	—	—
Uganda	452	—	40,955	—	20,696	8,695	24,789	(1,569)	3,048	29,396	10.4
Ukraine	—	—	234,030	—	234,030	234,030	234,030	—	—	—	—
United Arab Emirates	96,570	—	—	—	—	503	47,375	3,151	52,849	38,737	136.4
United Kingdom	950,641	—	845,325	—	1,152,577	31,929	305,411	(68,288)	301,617	1,913,070	15.8
United States	7,979,654	—	845,227	—	845,227	275,532	2,152,125	182,740	6,285,802	4,899,530	128.3
Uruguay	5,197	—	16,575	—	—	2,015	19,576	(2,939)	1,272	49,977	2.5
Uzbekistan	—	—	46,816	—	46,816	46,816	46,816	—	—	—	—
Vanuatu	615	—	275	—	—	42	875	40	97	—	—
Venezuela	145,898	—	394,950	—	—	45,014	304,970	(12,691)	268,201	316,890	84.6
Viet Nam	—	—	—	—	—	5,911	952	(4,959)	—	47,658	—
Western Samoa	2,503	—	—	—	—	3	680	78	1,904	1,142	166.7
Yemen, Republic of	13,466	—	21,191	—	32,265	14,000	14,000	(1,197)	1,194	28,743	4.2
Yugoslavia[3]	443	—	4,800	—	—	8,250	8,291	(5,202)	—	—	—
Yugoslavia, Federal Republic of (Serbia/Montenegro)[1]	—	—	—	—	—	—	—	—	—	56,665	—
Zaïre	—	—	—	—	—	10,738	5,580	(5,158)	—	86,309	—
Zambia	5,394	—	1,508	—	70	47,549	50,262	(4,120)	—	68,298	—
Zimbabwe	1,510	—	22,705	—	28,875	30,745	23,616	(594)	1,875	10,200	18.4
Total Participants	20,736,870	—	10,594,073	—	10,584,133	7,905,054	15,024,129	(122,463)	13,505,272	21,433,330	63.0

Table II.13 *(concluded)*

Holders	Total Holdings April 30, 1992	Receipts from Participants and Prescribed Holders: Designated	Receipts from Participants and Prescribed Holders: Other	Transfers to Participants and Prescribed Holders: Designated	Transfers to Participants and Prescribed Holders: Other	Receipts from the General Resources Account	Transfers to the General Resources Account	Interest, Charges, and Assessment (Net)	Positions as of April 30, 1993: Holdings	Positions as of April 30, 1993: Net cumulative allocations	Positions as of April 30, 1993: Holdings as percent of cumulative allocations
PRESCRIBED HOLDERS											
Arab Monetary Fund	9,672	—	70,892	—	45,513	—	—	1,430	36,481	—	—
Bank of Central African States	3,324	—	66,659	—	69,983	—	—	41	41	—	—
Bank for International Settlements	32,604	—	60,345	—	90,523	—	—	1,641	4,066	—	—
East African Development Bank	134	—	—	—	—	—	—	8	142	—	—
Eastern Caribbean Central Bank	1,691	—	—	—	—	—	—	107	1,798	—	—
International Bank for Reconstruction and Development	2,773	—	—	—	120	—	—	175	2,828	—	—
Islamic Development Bank	1,931	—	—	—	—	—	—	122	2,053	—	—
Nordic Investment Bank	359	—	—	—	—	—	—	23	382	—	—
Swiss National Bank	1,614	—	—	—	1,696	—	—	82	—	—	—
Total Prescribed Holders	54,101	—	197,895	—	207,835	—	—	3,628	47,789	—	—
GENERAL RESOURCES ACCOUNT	680,338	—	15,024,129	—	7,905,054	—	—	130,716	7,930,129	—	—
Total	21,471,309	—	25,816,097	—	18,697,022	7,905,054	15,024,129	11,881	21,483,196	21,433,330	—

[1]The assets and liabilities of the former Socialist Federal Republic of Yugoslavia were assumed by five successor states. As of April 30, 1993, the Republic of Bosnia and Herzegovina and the Federal Republic of Yugoslavia (Serbia/Montenegro) had not completed arrangements for succession to membership in the Fund.
[2]Czechoslovakia was replaced by the Czech Republic and the Slovak Republic on January 1, 1993.
[3]Former Socialist Federal Republic of Yugoslavia; Yugoslavia ceased to be a member of the Fund effective December 14, 1992.

Table II.14

Holdings of SDRs by All Participants and by Groups of Countries as Percent of Their Cumulative Allocations of SDRs and of Their Non-Gold Reserves, Financial Years Ended April 30, 1970–93

			Developing Countries				
					Net debtor countries		
	All Participants[1]	Industrial Countries	All developing countries	Net creditor countries	All net debtor countries	With recent debt-servicing problems[2]	Without recent debt-servicing problems[2]
Holdings of SDRs as percent of cumulative allocations							
1970	93.8	101.4	73.5	100.0	72.9	85.6	53.2
1971	92.3	103.3	63.2	2.8	64.7	74.5	49.6
1972	90.2	100.0	64.4	34.5	65.2	64.0	67.0
1973	93.4	105.7	60.8	55.4	60.9	59.6	63.0
1974	94.6	106.2	64.3	59.5	64.4	61.5	68.8
1975	94.5	106.5	63.1	72.5	62.8	64.7	60.0
1976	95.1	108.4	59.8	99.1	58.8	60.9	55.7
1977	91.7	105.7	54.9	106.3	53.6	58.1	46.7
1978	85.3	95.6	58.1	117.6	56.6	62.1	48.1
1979	90.3	97.0	74.5	112.3	71.5	72.7	69.8
1980	91.9	96.8	81.0	148.3	75.6	72.5	79.7
1981	74.6	81.0	60.8	139.6	53.5	56.2	50.0
1982	74.6	81.9	59.1	140.5	51.5	47.8	56.4
1983	79.9	95.1	47.4	207.9	32.4	23.0	44.7
1984	69.9	80.4	47.3	183.9	34.6	23.3	49.4
1985	78.5	95.2	42.8	182.2	29.8	21.7	40.4
1986	87.3	105.3	49.0	192.5	35.6	27.5	46.3
1987	90.8	110.0	49.9	195.4	36.4	24.2	52.1
1988	96.3	115.9	54.4	202.8	40.6	33.7	49.6
1989	93.1	116.3	43.5	181.6	30.7	19.9	44.7
1990	97.2	121.9	44.4	205.3	29.4	14.8	48.4
1991	96.9	120.7	45.9	166.2	34.6	28.1	43.1
1992	96.8	121.2	44.6	123.3	37.3	30.9	45.4
1993	63.0	73.8	39.9	111.1	33.3	33.8	32.7
Holdings of SDRs as percent of non-gold reserves							
1970	7.4	9.0	4.3	0.7	5.0	6.8	3.1
1971	8.9	9.9	6.1	—	7.7	10.1	5.0
1972	8.9	9.3	7.2	0.4	9.6	11.1	8.0
1973	7.8	8.7	5.0	0.5	6.4	7.2	5.5
1974	7.4	9.2	3.6	0.4	4.6	4.7	4.3
1975	6.0	8.9	2.4	0.2	3.9	3.8	4.1
1976	5.4	8.3	2.0	0.2	3.3	3.5	3.0
1977	4.4	7.4	1.4	0.2	2.3	2.7	1.8
1978	3.6	5.3	1.4	0.2	2.1	2.5	1.6
1979	4.6	5.8	2.9	1.1	3.6	4.0	3.1
1980	5.6	7.1	3.5	1.5	4.4	4.6	4.2
1981	4.8	6.2	2.9	1.8	3.5	4.1	2.9
1982	5.3	6.9	3.0	1.6	3.7	4.5	3.1
1983	5.3	7.2	2.3	2.2	2.3	2.5	2.2
1984	4.2	5.6	2.0	1.9	2.1	2.1	2.0
1985	4.4	6.3	1.6	1.7	1.6	1.6	1.7
1986	5.0	6.7	2.0	1.8	2.2	2.3	2.1
1987	4.7	5.7	2.0	1.4	2.4	2.4	2.4
1988	4.4	5.1	2.0	1.4	2.5	3.3	2.1
1989	3.9	4.7	1.5	1.2	1.7	2.3	1.5
1990	3.8	4.6	1.5	1.5	1.4	1.6	1.4
1991	3.4	4.3	1.3	1.2	1.3	1.8	1.1
1992	3.2	4.4	1.0	0.8	1.1	1.5	0.9
1993	2.1	2.8	0.9	0.8	0.9	1.5	0.6

[1]Consists of member countries that are participants in the SDR Department. At the end of financial year 1993, of the total SDRs allocated to participants in the SDR Department (SDR 21.4 billion), SDR 8.4 billion was not held by participants but instead by the Fund and prescribed holders.
[2]Countries with recent debt-servicing problems are those that have incurred external payments arrears or rescheduled their debts in the period since 1986.

Table II.15

Members' Quotas, April 30, 1992 and April 30, 1993[1]
(In millions of SDRs)

Member	Quota on April 30, 1992	Quota on April 30, 1993	Effective Date of Payment
Afghanistan, Islamic State of	86.70	120.40	3/01/93
Albania	25.00	35.30	11/30/92
Algeria	623.10	914.40	11/30/92
Angola	145.00	207.30	11/30/92
Antigua and Barbuda	5.00	8.50	2/26/93
Argentina	1,113.00	1,537.10	11/30/92
Armenia	—	67.50	12/30/92
Australia	1,619.20	2,333.20	12/03/92
Austria	775.60	1,188.30	12/03/92
Azerbaijan	—	117.00	2/26/93
Bahamas, The	66.40	94.90	12/02/92
Bahrain	48.90	82.80	2/22/93
Bangladesh	287.50	392.50	12/11/92
Barbados	34.10	48.90	12/01/92
Belarus	—	280.40	1/25/93
Belgium	2,080.40	3,102.30	11/23/92
Belize	9.50	13.50	11/24/92
Benin	31.30	45.30	12/01/92
Bhutan	2.50	4.50	11/30/92
Bolivia	90.70	126.20	12/04/92
Botswana	22.10	36.60	11/24/92
Brazil	1,461.30	2,170.80	11/30/92
Bulgaria	310.00	464.90	11/24/92
Burkina Faso	31.60	44.20	12/01/92
Burundi	42.70	57.20	11/30/92
Cambodia[2]	25.00	25.00	
Cameroon	92.70	135.10	11/30/92
Canada	2,941.00	4,320.30	12/11/92
Cape Verde	4.50	7.00	11/30/92
Central African Republic	30.40	41.20	11/30/92
Chad	30.60	41.30	11/30/92
Chile	440.50	621.70	12/03/92
China	2,390.90	3,385.20	12/09/92
Colombia	394.20	561.30	11/23/92
Comoros	4.50	6.50	11/24/92
Congo	37.30	57.90	11/30/92
Costa Rica	84.10	119.00	11/24/92
Côte d'Ivoire	165.50	238.20	12/01/92
Croatia	—	261.60	3/04/93
Cyprus	69.70	100.00	11/24/92
Czech Republic[3]	—	589.60	1/01/93
Czechoslovakia[3]	590.00	—	
Denmark	711.00	1,069.90	11/24/92
Djibouti	8.00	11.50	12/03/92
Dominica	4.00	6.00	11/30/92
Dominican Republic	112.10	158.80	11/30/92
Ecuador	150.70	219.20	11/24/92
Egypt	463.40	678.40	11/24/92
El Salvador	89.00	125.60	11/30/92
Equatorial Guinea	18.40	24.30	11/30/92
Estonia	—	46.50	11/30/92
Ethiopia	70.60	98.30	11/24/92
Fiji	36.50	51.10	11/24/92
Finland	574.90	861.80	11/23/92
France	4,482.80	7,414.60	11/23/92
Gabon	73.10	110.30	11/30/92
Gambia, The	17.10	22.90	12/10/92
Georgia	—	111.00	12/09/92
Germany	5,403.70	8,241.50	12/11/92
Ghana	204.50	274.00	11/24/92
Greece	399.90	587.60	11/25/92
Grenada	6.00	8.50	12/01/92
Guatemala	108.00	153.80	11/19/92
Guinea	57.90	78.70	12/01/92
Guinea-Bissau	7.50	10.50	12/01/92
Guyana	49.20	67.20	12/01/92
Haiti[4]	44.10	44.10	
Honduras	67.80	95.00	12/01/92
Hungary	530.70	754.80	11/24/92
Iceland	59.60	85.30	11/24/92
India	2,207.70	3,055.50	12/09/92
Indonesia	1,009.70	1,497.60	11/28/92
Iran, Islamic Republic of	660.00	1,078.50	11/24/92
Iraq[4]	504.00	504.00	
Ireland	343.40	525.00	11/23/92
Israel	446.60	666.20	11/24/92
Italy	2,909.10	4,590.70	11/23/92
Jamaica	145.50	200.90	12/01/92
Japan	4,223.30	8,241.50	12/03/92
Jordan	73.90	121.70	11/24/92
Kazakhstan	—	247.50	11/20/92
Kenya	142.00	199.40	12/01/92
Kiribati	2.50	4.00	12/22/92
Korea	462.80	799.60	12/02/92
Kuwait	635.30	995.20	1/25/93
Kyrgyzstan	—	64.50	12/11/92
Lao People's Democratic Republic	29.30	39.10	12/01/92
Latvia	—	91.50	12/01/92
Lebanon[5]	78.70	78.70	
Lesotho	15.10	23.90	11/24/92
Liberia[4]	71.30	71.30	
Libya	515.70	817.60	12/13/92
Lithuania	69.00	103.50	12/01/92
Luxembourg	77.00	135.50	11/23/92
Macedonia, former Yugoslav Republic of	—	33.50	
Madagascar	66.40	90.40	12/01/92
Malawi	37.20	50.90	12/01/92
Malaysia	550.60	832.70	11/23/92
Maldives	2.00	5.50	11/24/92
Mali	50.80	68.90	12/01/92

Table II.15 (*concluded*)

Member	Quota on April 30, 1992	Quota on April 30, 1993	Effective Date of Payment
Malta	45.10	67.50	11/24/92
Marshall Islands	—	2.50	12/11/92
Mauritania	33.90	47.50	11/19/92
Mauritius	53.60	73.30	11/24/92
Mexico	1,165.50	1,753.30	11/25/92
Moldova	—	90.00	11/20/92
Mongolia	25.00	37.10	12/09/92
Morocco	306.60	427.70	12/11/92
Mozambique	61.00	84.00	11/19/92
Myanmar	137.00	184.90	12/02/92
Namibia	70.00	99.60	12/02/92
Nepal	37.30	52.00	12/04/92
Netherlands	2,264.80	3,444.20	12/03/92
New Zealand	461.60	650.10	12/03/92
Nicaragua	68.20	96.10	12/02/92
Niger	33.70	48.30	12/01/92
Nigeria	849.50	1,281.60	12/02/92
Norway	699.00	1,104.60	12/03/92
Oman	63.10	119.40	11/24/92
Pakistan	546.30	758.20	11/19/92
Panama	102.20	149.60	11/24/92
Papua New Guinea	65.90	95.30	12/08/92
Paraguay	48.40	72.10	12/04/92
Peru	330.90	466.10	3/18/93
Philippines	440.40	633.40	11/30/92
Poland	680.00	988.50	11/23/92
Portugal	376.60	557.60	11/23/92
Qatar	114.90	190.50	11/24/92
Romania	523.40	754.10	12/02/92
Russia	—	4,313.10	11/25/92
Rwanda	43.80	59.50	11/24/92
St. Kitts and Nevis	4.50	6.50	12/02/92
St. Lucia	7.50	11.00	12/02/92
St. Vincent	4.00	6.00	12/11/92
San Marino	—	10.00	3/15/93
Sao Tome and Principe	4.00	5.50	12/02/92
Saudi Arabia	3,202.40	5,130.60	1/19/93
Senegal	85.10	118.90	12/01/92
Seychelles	3.00	6.00	12/04/92
Sierra Leone[4]	57.90	57.90	
Singapore	92.40	357.60	12/03/92
Slovak Republic[3]	—	257.40	1/01/93
Slovenia	—	150.50	3/08/93
Solomon Islands	5.00	7.50	12/02/92
Somalia[4]	44.20	44.20	
South Africa	915.70	1,365.40	12/07/92
Spain	1,286.00	1,935.40	12/09/92
Sri Lanka	223.10	303.60	11/24/92
Sudan[4]	169.70	169.70	
Suriname[5]	49.30	49.30	
Swaziland	24.70	36.50	11/24/92
Sweden	1,064.30	1,614.00	11/23/92
Switzerland	—	2,470.40	11/23/92
Syrian Arab Republic	139.10	139.10	
Tajikistan[5]	—	40.00	
Tanzania	107.00	146.90	11/24/92
Thailand	386.60	573.90	12/11/92
Togo	38.40	54.30	12/01/92
Tonga	3.25	5.00	11/24/92
Trinidad and Tobago	170.10	246.80	12/02/92
Tunisia	138.20	206.00	12/02/92
Turkey	429.10	642.00	12/09/92
Turkmenistan	—	48.00	1/08/93
Uganda	99.60	133.90	11/19/92
Ukraine	—	997.30	12/03/92
United Arab Emirates	202.60	392.10	11/23/92
United Kingdom	6,194.00	7,414.60	11/23/92
United States	17,918.30	26,526.80	12/11/92
Uruguay	163.80	225.30	11/16/92
Uzbekistan	—	199.50	4/16/93
Vanuatu	9.00	12.50	2/19/93
Venezuela	1,371.50	1,951.30	11/24/92
Viet Nam[4]	176.80	176.80	
Western Samoa	6.00	8.50	11/27/92
Yemen	120.50	176.50	12/02/92
Yugoslavia[6]	613.00	—	
Zaïre[4]	291.00	291.00	
Zambia[4]	270.30	270.30	
Zimbabwe	191.00	261.30	12/02/92
Total	91,221.50	144,606.20	

[1]Board of Governors Resolution No. 45-2, Increases in Quotas of Fund Members—Ninth General Review, adopted June 28, 1990.
[2]Cambodia did not participate in the Ninth General Review.
[3]Czechoslovakia was replaced by the Czech Republic and the Slovak Republic on January 1, 1993.
[4]Member has overdue financial obligations to the General Resources Account and consequently cannot consent to its quota increase under Board of Governors Resolution No. 45-2.
[5]Member has not completed payment of its quota increase under the Ninth General Review.
[6]Former Socialist Federal Republic of Yugoslavia; Yugoslavia ceased to be a member of the Fund effective December 14, 1992.

Table II.16

Key IMF Rates, Financial Year Ended April 30, 1993
(In percent)

Period Beginning	SDR Interest Rate and Unadjusted Rate of Remuneration[1]	Basic Rate of Charge on Ordinary Resources[1]	Period Beginning	SDR Interest Rate and Unadjusted Rate of Remuneration[1]	Basic Rate of Charge on Ordinary Resources[1]
1992			November 2	5.51	5.39
May 4	6.43	6.29	November 9	5.48	5.36
May 11	6.47	6.33	November 16	5.47	5.36
May 18	6.42	6.29	November 23	5.51	5.39
May 25	6.44	6.30	November 30	5.60	5.48
June 1	6.47	6.33	December 7	5.63	5.51
June 8	6.46	6.32	December 14	5.67	5.55
June 15	6.47	6.33	December 21	5.70	5.58
June 22	6.45	6.31	December 28	5.65	5.53
June 29	6.46	6.32	**1993**		
July 6	6.27	6.14	January 4	5.54	5.42
July 13	6.31	6.18	January 11	5.56	5.44
July 20	6.35	6.22	January 18	5.52	5.40
July 27	6.34	6.21	January 25	5.47	5.36
August 3	6.32	6.19	February 1	5.43	5.32
August 10	6.31	6.18	February 8	5.23	5.12
August 17	6.26	6.13	February 15	5.22	5.11
August 24	6.29	6.16	February 22	5.27	5.16
August 31	6.39	6.26	March 1	5.28	5.17
September 7	6.26	6.13	March 8	5.20	5.09
September 14	6.25	6.12	March 15	5.06	4.95
September 21	5.91	5.79	March 22	5.12	5.01
September 28	5.87	5.75	March 29	5.13	5.02
October 5	5.80	5.68	April 5	5.01	4.90
October 12	5.84	5.72	April 12	4.89	4.79
October 19	5.84	5.72	April 19	4.86	4.76
October 26	5.48	5.36	April 26	4.81	4.71

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

Table II.17

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

Member	Effective Date of Acceptance	Member	Effective Date of Acceptance
Antigua and Barbuda	November 22, 1983	Malaysia	November 11, 1968
Argentina	May 14, 1968	Mexico	November 12, 1946
Australia	July 1, 1965	Morocco	January 21, 1993
Austria	August 1, 1962	Netherlands	February 15, 1961
Bahamas, The	December 5, 1973	New Zealand	August 5, 1982
Bahrain	March 20, 1973	Nicaragua	July 20, 1964
Belgium	February 15, 1961	Norway	May 11, 1967
Belize	June 14, 1983	Oman	June 19, 1974
Bolivia	June 5, 1967	Panama	November 26, 1946
Canada	March 25, 1952	Papua New Guinea	December 4, 1975
Chile	July 27, 1977	Peru	February 15, 1961
Costa Rica	February 1, 1965	Portugal	September 12, 1988
Cyprus	January 9, 1991	Qatar	June 4, 1973
Denmark	May 1, 1967	St. Kitts and Nevis	December 3, 1984
Djibouti	September 19, 1980	St. Lucia	May 30, 1980
Dominica	December 13, 1979	St. Vincent and the Grenadines	August 24, 1981
Dominican Republic	August 1, 1953	San Marino	September 23, 1992
Ecuador	August 31, 1970	Saudi Arabia	March 22, 1961
El Salvador	November 6, 1946	Seychelles	January 3, 1978
Fiji	August 4, 1972	Singapore	November 9, 1968
Finland	September 25, 1979	Solomon Islands	July 24, 1979
France	February 15, 1961	South Africa	September 15, 1973
Gambia, The	January 21, 1993	Spain	July 15, 1986
Germany	February 15, 1961	Suriname	June 29, 1978
Greece	July 7, 1992	Swaziland	December 11, 1989
Guatemala	January 27, 1947	Sweden	February 15, 1961
Guyana	December 27, 1966	Switzerland	May 29, 1992
Haiti	December 22, 1953	Thailand	May 4, 1990
Honduras	July 1, 1950	Tonga	March 22, 1991
Iceland	September 19, 1983	Tunisia	January 6, 1993
Indonesia	May 7, 1988	Turkey	March 22, 1990
Ireland	February 15, 1961	United Arab Emirates	February 13, 1974
Italy	February 15, 1961	United Kingdom	February 15, 1961
Jamaica	February 22, 1963	United States	December 10, 1946
Japan	April 1, 1964	Uruguay	May 2, 1980
Kiribati	August 22, 1986	Vanuatu	December 1, 1982
Korea	November 1, 1988	Venezuela	July 1, 1976
Kuwait	April 5, 1963		
Luxembourg	February 15, 1961		
Marshall Islands	June 22, 1992		

Table II.18

Exchange Arrangements as of March 31, 1993

Pegged					
Single currency				Currency composite	
U.S. dollar	French franc	Russian ruble[1]	Other	SDR	Other
Angola	Benin	Armenia	Bhutan (Indian rupee)	Libyan Arab Jamahiriya[7]	Algeria
Antigua and Barbuda	Burkina Faso	Azerbaijan	Estonia (deutsche mark)	Myanmar	Austria
Argentina	Cameroon	Belarus[4]	Kiribati[1] (Australian dollar)	Rwanda	Bangladesh
Bahamas, The[4]	Central African Republic	Georgia	Lesotho[4] (South African rand)	Seychelles	Botswana
Barbados	Chad	Kazakhstan[4]	Namibia[1, 4] (South African rand)		Burundi
Belize	Comoros	Kyrgyzstan	Swaziland (South African rand)		Cape Verde
Djibouti	Congo	Moldova			Cyprus[8]
Dominica	Côte d'Ivoire				Fiji
Ethiopia	Equatorial Guinea				Hungary
Grenada	Gabon				Iceland[10]
Iraq[4]	Mali				Jordan
Liberia	Niger				Kenya[4]
Marshall Islands[1]	Senegal				Kuwait
Mongolia[4]	Togo				Malawi
Nicaragua[4]					Malaysia[9]
Oman					Malta
Panama[1]					Mauritania[4]
St. Kitts and Nevis					Mauritius
St. Lucia					Morocco[11]
St. Vincent and the Grenadines					Papua New Guinea
Suriname[4]					Solomon Islands
Syrian Arab Republic[4]					Tanzania[4]
Yemen[4]					Thailand
					Tonga
					Vanuatu
					Western Samoa
					Zimbabwe

[1]Country uses peg currency as legal tender.
[2]In all countries listed in this column, the U.S. dollar was the currency against which exchange rates showed limited flexibility.
[3]This category consists of countries participating in the exchange rate mechanism of the European Monetary System. In each case, the exchange rate is maintained within a margin of 2.25 percent around the bilateral central rates against other participating currencies, with the exception of Portugal and Spain, in which case the exchange rate is maintained within a margin of 6 percent.
[4]Member maintains exchange arrangements involving more than one exchange market. The arrangement shown is that maintained in the major market.
[5]Exchange rates are determined on the basis of a fixed relationship to the SDR, within margins of up to ± 7.25 percent. However, because of the maintenance of a relatively stable relationship with the U.S. dollar, these margins are not always observed.
[6]The exchange rate is maintained within margins of ± 10 percent on either side of a weighted composite of the currencies of the main trading partners.
[7]The exchange rate is maintained within margins of ± 13.5 percent.
[8]The exchange rate, which is pegged to the ECU, is maintained within margins of ± 2.25 percent.
[9]The exchange rate is maintained within margins of ± 5 percent.
[10]The exchange rate is maintained within margins of ± 2.25 percent.
[11]The exchange rate is maintained within margins of ± 3 percent.

Flexibility Limited Against a Single Currency or Group of Currencies		More Flexible		
Single currency[2]	Cooperative arrangements[3]	Adjusted according to a set of indicators	Other managed floating	Independently floating
Bahrain[5] Qatar[5] Saudi Arabia[5] United Arab Emirates[5]	Belgium Denmark France Germany Ireland Luxembourg Netherlands Portugal Spain	Chile[4, 6] Colombia Madagascar	China[4] Ecuador[4] Egypt Greece Guinea Guinea-Bissau[4] Indonesia Israel[9] Korea Lao People's Democratic Republic Maldives Mexico Pakistan Poland[4] Sao Tome and Principe Singapore Somalia[4] Sri Lanka Tunisia Turkey Uruguay Viet Nam	Afghanistan, Islamic State of[4] Albania Australia Bolivia Brazil[4] Bulgaria Canada Costa Rica Dominican Republic El Salvador Finland Gambia, The Ghana Guatemala Guyana Haiti Honduras India Iran, Islamic Republic of Italy Jamaica Japan Latvia Lebanon Lithuania Mozambique[4] New Zealand Nepal Nigeria[4] Norway Paraguay Peru Philippines Romania Russia Sierra Leone South Africa[4] Sudan[4] Sweden Switzerland Trinidad and Tobago Uganda[4] Ukraine United Kingdom United States Venezuela Zaïre Zambia[4]

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

Technical Assistance

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

IMF Institute

The IMF Institute trains officials from member countries and those that are expected to become members. Courses and seminars are held at headquarters and at national or regional centers and are offered in Arabic, English, French, and Spanish; interpretation into local languages is available for national or regional offerings. Courses at the newly opened *Joint Vienna Institute* are taught in English with Russian interpretation. The Institute also helps other national or regional training institutions with lecturing assistance and organizes briefings for visiting officials.

During 1992/93, training at headquarters consisted of 13 courses and 3 seminars for senior officials, attended by 553 participants. The program included three 12-week courses on financial programming and policy, five 10-week courses on techniques of financial analysis and programming, and one 9-week course on programming and policies for medium-term adjustment. The financial programming and policy course covered financial programming and adjustment issues for officials with substantial macroeconomic training and practical experience; the course on techniques of financial analysis and programming provided a more elementary review of similar issues; technical and policy aspects of medium-term adjustment programs were emphasized in the course on programming and policies for medium-term adjustment. Two 8-week courses were presented on balance of payments methodology, one 6-week course on money and banking statistics (in collaboration with the Statistics Department), and an 8-week course on public finance (in collaboration with the Fiscal Affairs Department). Seminars for senior officials were held on current legal issues affecting central banks (in collaboration with the Legal Department), public expenditure policy and management (in collaboration with the Fiscal Affairs Department), and exchange rate policies in developing economies and economics in transition.

The Institute conducted eight courses and two seminars in Africa and a course in Lebanon, and provided lecturing assistance twice to local institutions. These efforts included a seminar for high-level officials from Francophone countries held in Bamako, Mali, in November 1992, and a three-week course in macroeconomic management for officials from five Lusophone African countries in Lisbon, Portugal, in April and May 1993. The latter course was organized in cooperation with the Portuguese authorities and the Economic Development Institute of the World Bank.

The *Joint Vienna Institute*, set up in cooperation with five other international organizations and with help from Austria and a number of other national donors, went into operation in September 1992 and was officially inaugurated in October of that year. It trains officials and some private sector managers from members in Central and Eastern Europe, the former U.S.S.R., and Asia that are in transition to market systems. IMF training at the Vienna Institute during 1992/93 consisted of 8 courses and a seminar for senior officials, attended by 263 participants. The program included one 3-week course on public expenditure, one 6-week course on aspects of public finance (in collaboration with the Fiscal Affairs Department), two 3-week courses on basic economics, two 6-week courses on macroeconomic and financial policies, one 2-week course on bank supervision (in collaboration with the Monetary and Exchange Affairs Department), and one 3-week course on government finance statistics (in collaboration with the Statistics Department). A seminar for senior officials was held on transition and adjustment in conjunction with the inauguration ceremonies in October 1992.

A program of external courses on macroeconomic management for economies in transition was jointly conceived and financed by the Fund and the United Nations Development Program (UNDP), with help from other sources. A pilot scholarship program for promising young officials seeking longer-term training at advanced educational institutions was also launched with cofinancing initially from the UNDP. The program is already being expanded considerably with help from Japan and a number of countries in the Middle East. The Institute will not only manage the program but also help design a course of study in collaboration with participating universities that will focus training on the needs of participants.

In addition to residential training courses in Washington and Vienna, the Institute conducted 21 overseas courses and 12 seminars for high-level officials, and provided lecturing assistance in eight instances to six training organizations. Six of these courses and seven of the seminars were held in the former U.S.S.R. and Central and Eastern European countries. The Institute also organized 22 briefings at headquarters for a total of 368 visiting officials from member countries. With the exception of staff and teaching materials provided by the Institute, all costs of overseas training are covered either by local partners or through cofinancing arrangements with the UNDP or other collaborating institutions. The scope of such cofinancing activities is expanding.

In this regard, work is in progress on developing a Scholarship Program for Asia in collaboration with Japanese authorities and a similar program for the Middle East with help from national donors from the region. The *Japan-IMF Scholarship Program* will aim to train a limited number of young officials from economies in transition for a period of about one year at Saitama University (Japan). The Middle East program will send officials from selected countries for training at Warwick University (England).

The Institute, in cooperation with the Research Department, has initiated an internal training program for Fund economists. Five internal training courses and seminars took place in fiscal year 1992/93, attended by 200 economists.

Monetary and Exchange Affairs Department

The Monetary and Exchange Affairs Department (known prior to May 1, 1992 as the Central Banking Department) provides technical assistance on central banking and financial sector issues. The objective of this assistance is to strengthen monetary management and prudential regulations, and to develop members' financial systems, often as a component of structural reforms underlying Fund-supported adjustment programs.

The department provides technical assistance in the broad areas of currency issue and reform, foreign exchange management and operations, bank accounting and payments systems, central bank operations, instruments of monetary policy (including capital markets), and banking regulations and supervision. Technical assistance is delivered through advisory missions (which may include participation by outside experts), assignments of long-term resident experts, visits by short-term experts, and through lectures and workshops—developed and sponsored by the department alone, and in collaboration with other units in the Fund (e.g., the IMF Institute) and other international and regional organizations (e.g., the OECD, BIS).

In 1992/93, the department provided technical assistance to 109 countries and regional organizations. Compared with 1991/92, the department more than doubled its mission work, undertaking 110 advisory missions and sponsoring or participating in 11 seminars and technical assistance workshops. Another 42 missions were undertaken in 1992/93 to assess needs and coordinate technical assistance programs, particularly for the countries comprising the former Soviet Union.

Growth in the department's technical assistance program also was reflected in the increased use of outside experts, which grew to about 74 person years in 1992/93 from 62 years in 1991/92. Assistance was provided in 1992/93 by 295 outside experts, who made almost 500 individual expert trips. Of this total, approximately 53 expert years—70 percent—were provided by 79 long-term experts residing in member countries. The remaining 21 expert years of assistance were provided by 216 experts who accompanied departmental missions or made separate, short visits organized by the department. External financing—from the United Nations Development Programme (UNDP), the Japan Administered Account (JAA), and the International Development Agency (IDA) acting as administrator for a grant from Japan—accounted for about 17 person years (24 percent) of expert time.

Dominating the growth in the department's 1992/93 technical assistance program were its intensive assistance efforts in the states of the former Soviet Union and Central and Eastern Europe, which accounted for about 55 percent of all advisory missions and more than two thirds of all expert trips. Following the pattern established in Poland, Romania, and Bulgaria, the department has formed teams of staff and experts to develop and implement comprehensive programs of technical assistance aimed at establishing and modernizing central banks in each of the newly emerging countries. Twenty-three cooperating central banks have joined with the department to provide more than 125 staff to participate in these teams. While a broad range of subjects has been covered in the countries of the former Soviet Union, particular focus has been given to monetary policies and operations, banking supervision, currency issue, foreign exchange, payments and settlement systems, and accounting. In the latter two areas, the department developed and delivered technical assistance workshops for officials from throughout the former Soviet Union. The success of these workshops is leading to the development of similar programs in other areas—public debt and foreign exchange—for delivery in the coming financial year. Long-term experts served in residence at the central banks in the Russian Federation, Kazakhstan, Kyrgystan, and Ukraine, and resident advisors will be arriving shortly in several other states.

In the areas of policy, review, surveillance, and jurisdiction, the department's role and responsibilities were expanded significantly in 1992/93. Two divisions were created to conduct analyses and reviews of the structural and institutional aspects of monetary and exchange rate policies, and another new division now has jurisdictional responsibility for exchange practices and publishes the *Annual Report on Exchange Arrangements and Exchange Restrictions.*

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

Fiscal Affairs Department

Technical assistance provided by the Fiscal Affairs Department has been directed mainly at supporting countries' efforts in connection with Fund-supported adjustment programs. In addition, the department provides technical assistance as part of major UNDP and World Bank projects. This has enabled the department to broaden and deepen the impact of its programs in member countries. The main change in 1992/93 was in the pattern of activity in the states of the former Soviet Union. Much of the initial wave of assistance to these countries had been provided in the context of multipurpose missions, intended both to advise on a broad range of topics and to identify areas where more targeted assistance is needed. In 1992/93, targeting of technical assistance was more precise, with particular focus on treasury systems, tax administration, and social safety nets.

Legal Department

During 1992/93, the Legal Department continued to provide technical assistance in the central and general banking, foreign exchange, and fiscal areas. This assistance included drafting legislation, reviewing draft legislation, and providing overall legal advice. Much of the assistance has been directed to members that are in the process of transforming their centrally planned economies and are seeking expertise regarding the legal steps that must be taken for this process to be successful.

Statistics Department

The technical assistance activities of the Statistics Department reached an unprecedented level during 1992/93. The department conducted 106 technical assistance missions, 17 of which were multitopic, to 43 countries. By comparison, in 1991/92 the department conducted 44 such missions, 16 of which were multitopic, to 37 countries.

The large increase in the mission load was mainly in response to the continuing needs of countries in transition, which continued the process of adapting their statistical systems to better serve economic analysis and policy in a market economy. The countries of Central and Eastern Europe and the former Soviet Union received about 73 percent of all technical assistance provided by the department during the year, involving 175 trips by staff, headquarters-based consultants, and outside experts on 77 missions. Eleven of these were multitopic missions. In addition to this effort in the transition economies, the department continued to provide technical assistance to many other member countries, principally those that were actual or prospective users of Fund resources or whose statistical infrastructure was at an early stage of development. There were 29 missions to these countries, compared with 24 missions in 1991/92.

The department's technical assistance activities were again principally concentrated in the areas of monetary, balance of payments, and government finance statistics. In response to the pressing operational needs of the Fund, the department also fielded technical assistance missions in price statistics and in national accounts statistics to some countries of the former Soviet Union.

The provision of technical assistance in 1992/93 also involved an increasing number of outside experts for both short-term and medium and long-term assignments. Many of the projects using such experts were financed under the Executing Agency Agreement with the UNDP or with resources from the JAA. During the year, there were 27 active assignments involving 15 countries and one regional seminar, two of which were financed under the UNDP program, and 25 under the JAA. In addition, a significant amount of assistance was provided through participation of the department's staff in 27 missions of other departments, 23 of which were to EUR II countries.

The department continued to offer training at headquarters to national statisticians on statistical methodologies and their application, mainly through courses at the IMF Institute. The department's training program also included a seminar on government finance statistics at the headquarters of the Central Bank of West African States (BCEAO) and a balance of payments seminar for the Asia-Pacific Region. The department also presented its first course at the Joint Vienna Institute in government finance statistics.

Treasurer's Department

The demand for the Treasurer's Department's technical assistance increased sharply in 1992/93, as a result of the unfamiliarity of most new members with Fund financial transactions and accounting practices. Eight new members from the former Soviet Union requested assistance in establishing Fund accounts and conducting financial transactions with the Fund, including the payment of quotas. A total of ten single-person missions were sent to these countries for a period of 3–6 days each. This technical assistance covered such areas as the opening of Fund accounts and explanations of their role, the computation of the amounts to be deposited to the Fund accounts, the preparation of nonnegotiable non-interest-bearing government notes to substitute for national currency, the use of the same-day SDR borrowing mechanism for the payment of the reserve asset portion of quotas, and the use of proper communication procedures to conduct financial transactions with the Fund.

Two other technical assistance missions were sent during the year, one to a member country in Asia and the other to a member country in Africa, for about one week each. The mission to the member in Asia involved two staff members who provided training on a wide range of topics related to the Fund's financial structure and operations including the General and SDR Departments, administered accounts, the role and determination of quotas, financial facilities, the operational budget and designation plan, the Fund's liquidity, remuneration, burden sharing, and charges.

The mission to the member in Africa provided a briefing to the staff of the member's central bank on financial transactions with the Fund and technical advice on accounting and financial reporting for Fund transactions and operations. Particular areas of emphasis were the distinction between accounting for the General Department and the SDR Department, and the treatment of the valuation adjustment of the Fund's accounts arising from exchange rate changes.

Bureau of Computing Services

Owing to limited budgetary and staff resources, the Bureau of Computing Services has a narrowly focused technical assistance program. It provides for a few short-term missions to member countries in direct support of the economic and financial work of the Fund. During 1992/93, missions were undertaken to several central banks and ministries of finance (Korea, the Islamic Republic of Iran, Ukraine, Poland, and Bulgaria) to provide assistance in the planning and development of computer systems for the processing, analysis, and reporting of economic, financial, and administrative information. Advice and guidance to these countries, as well as to other countries visited in the past were provided in the areas of economic information systems, central banking operations, tax administration, budget and treasury operations, strategic contingency, and recovery planning in the event of a computer systems disaster.

During 1992/93, the Bureau of Computing Services also continued to receive a large number of delegations and visitors from member countries and international institutions for computer training. Various short technology training courses were based upon the Fund's application systems and areas of expertise. As a result of the expanding role of technology within member country institutions and with the continuing explosion of desktop microcomputers and associated application software, it is anticipated that the number of requests to the Fund for short-term computer technical assistance will increase. Such assistance would provide overall guidance in the development of computer systems for the collection, storage, and processing of economic and financial data, and would facilitate easy access to and exchange of data and documents between the member countries and the Fund. Also, demand is expected to increase for computer training courses at headquarters on the Fund's computer application systems.

Relations with Other International Organizations

In fulfilling its role as a member of the international financial community, it is essential for the Fund to maintain close relations with other international and regional organizations having similar responsibilities, interests, and goals. Close ties are maintained with several organizations, including the United Nations, the General Agreement on Tariffs and Trade (GATT), the Organization for Economic Cooperation and Development (OECD), the CEC, and the Bank for International Settlements (BIS).

The responsibility for liaison with these organizations rests with the three offices of the Fund located away from headquarters. The Director of the Fund Office in the United Nations and Special Representative to the United Nations is responsible for relations with the UN and its subsidiary bodies, as well as with many other UN organizations located outside the United States. The Office in Europe, which is located in Paris, manages the Fund's relations with BIS, CEC, and OECD, and the Geneva Office is responsible for relations with the GATT, the UN Conference on Trade and Development, and other UN organizations located in Geneva. When necessary, the work of these offices is supplemented by assignment of staff and technical experts from headquarters. In addition, staff members participate in meetings and seminars, such as those of the regional economic and financial organizations in Africa, Asia and the Pacific, Latin America and the Caribbean, and the Middle East, including the regional development banks.

The Fund and the World Bank maintain a unique relationship, and the two institutions collaborate in a variety of ways including joint participation in missions, attendance at each other's Executive Board meetings, joint preparation of policy framework papers, and regular exchange of documents and information. Fund staff attend a number of aid-coordination meetings including Aid Groups, Consultative Groups, and Donors Conferences, all of which are held under the auspices of the World Bank.

Fund staff continue to be involved in long-standing cooperative arrangements with the GATT regarding consultations with common member countries on trade restrictions imposed for balance of payments purposes. In addition to providing pertinent documents, Fund staff attend sessions of the GATT Council of Representatives, the Contracting Parties to the GATT, and several standing GATT committees. A successful conclusion to the Uruguay Round of multilateral trade negotiations is of great importance to the Fund, and its progress is closely monitored by the Geneva Office and by staff attendance at meetings of selected trade negotiating groups.

During the past year, the transition to market-based economic systems in the countries of Central and Eastern Europe, as well as in the states of the former Soviet Union, has led to an urgent need for training. To meet this need, the Fund joined with the CEC and four other international organizations in creating the Joint Vienna Institute to provide a channel through which the knowledge and practical experience of the six sponsoring organizations can be shared with officials from economies in transition in the area. The other sponsors of the Joint Vienna Institute, which was inaugurated in October 1992, are the BIS, the European Bank for Reconstruction and Development (EBRD), the World Bank, and the OECD.

The role of the Managing Director is vital in maintaining relations with other international and regional organizations, most notably the United Nations, where he attended meetings of the Economic and Social Council (ECOSOC) and the Administrative Committee on Coordination (ACC). He addressed the UN Conference on the Environment and Development (UNCED) on June 8, 1992 in Rio de Janeiro and the High-Level Meeting of the Economic and Social Council (ECOSOC) in New York on July 7, 1992. The Managing Director also addressed the Joint Vienna Institute at its official opening in Vienna on October 5, 1992, and on February 10, 1993 he presented remarks at the opening session of the IDB/UNDP Forum on Social Reform and Poverty held in Washington, D.C.

External Relations

In a year in which the membership of the Fund progressed toward universality, public and media interest in its work increased markedly. In response, the Fund expanded its efforts to explain its work and policies to a wider audience.

An extraordinary amount of attention was generated by the membership process involving the states of the former U.S.S.R. and Switzerland, the central role the Fund is playing in assisting economies in transition, the creation of the systemic transformation facility, the completion of the Ninth General Review of Quotas and the ratification of the Third Amendment to the Articles of Agreement, the uncertain outlook for the world economy resulting from currency disturbances in Europe, and the Fund's continuing role in the debt strategy. To explain these developments, the Managing Director and senior staff delivered speeches on an extensive range of economic issues in both international and national forums. Staff members also delivered papers and participated in a wide range of conferences, seminars, and symposiums.

The Fund's contacts with the international news media continued apace during the year, with particular emphasis on Central Europe and states of the former U.S.S.R. Management and senior staff actively developed these contacts through interviews, press conferences, and briefings for the press to explain major issues and developments and by participating in seminars for the media designed to broaden knowledge about the institution and its functions. At headquarters, and during field missions, External Relations staff gave presentations on the role and work of the Fund to representatives of the press, and to academic, business, labor, and political groups from Africa, Asia, Europe, Latin America, North America, the Baltic states, and states of the former U.S.S.R.

In the IMF Visitors' Center, the Economic Forum and International Seminar series attracted large professional audiences, while cultural events, such as art exhibits, film screenings, and concerts produced in cooperation with embassies and other international organizations, continued to be well received by the local community. A Russian version of the film "One World, One Economy," was produced for public presentation and distribution.

Publications

The Fund's publications continued to be the major means of distributing information about its work and related monetary and financial issues. As the number of titles and range of subject matter expanded during 1992/93, the distribution of Fund publications also widened. In particular, a number of publications were translated into Russian for distribution in the states of the former U.S.S.R. These included the Economic Review on the *Russian Federation* and Pamphlet No. 45, *Financial Organizations and Operations of the IMF.* During the year, issuance of the first series of Economic Reviews of the states of the former U.S.S.R. was completed, and the first three titles—*Moldova, Armenia,* and *Azerbaijan*—of a second series were published.

In addition to two regular editions of the biannual *World Economic Outlook,* published in May and October 1992, a special *World Economic Outlook: Interim Assessment* was published in January 1993. The *Interim Assessment* took account of substantial developments in the world economy that had occurred since the release of the October edition of the *World Economic Outlook.* Following a decision of the Board, an Arabic edition of the *World Economic Outlook* began publication in October 1992. It joined the existing editions in English, French, and Spanish.

Nine Occasional Papers were published during the year. These covered developments in individual member countries, regional issues, and topics relating to the evolving international monetary system. Eight papers, including the *World Economic Outlook,* were published in the World Economic and Financial Surveys series, covering such issues as international capital markets, developments in exchange and payments systems, trade, and private market financing for developing countries. Statistical publications included a *Report on the Measurement of International Capital Flows* and relevant background papers. The report was prepared by a Working Party established by the Board under the chairmanship of Baron Godeaux (see *Annual Report, 1992,* pages 40–41).

Under the Fund's active program for marketing publications, priority was given to promoting the *World Economic Outlook* and related publications and to expanding the distribution of the *International Financial Statistics* in CD-ROM format. A complete list of publications issued during the financial year appears in Table III.1.

Executive Directors

A list of Executive Directors and their voting power on April 30, 1993, is given in Appendix VI. The changes in membership of the Executive Board during 1992/93 are shown in Appendix VII.

Staffing Issues

In the financial year ended April 30, 1993, there were 248 appointments to the Fund's regular staff and 88 separations. At the end of the financial year, the staff numbered 2,021 and was drawn from 114 countries. The increase in staff was to help meet the unprecedented growth in demand for advice and assistance from the Fund, particularly by the states of the former Soviet Union. The additional staff resources are being used predominantly for country-specific work, including use of Fund resources, surveillance activities, and external training. Organizational changes resulted in the addition of three new divisions: one in European I Department to accommodate the work associated with new and prospective member countries of Central and Eastern Europe; one in the Statistics Department to carry out the increased workload arising from data maintenance and the flow of data from the states of the former Soviet Union; and a Russian division in the Bureau of Language Services to cope with the surge of translation requests and to meet interpretation needs at headquarters.

Administrative Tribunal

On December 21, 1992, the Board of Governors of the Fund adopted a resolution approving a statute proposed by the Executive Board for the establishment of an administrative tribunal to serve the Fund. The administrative tribunal will become operational once its members are duly appointed; the tribunal is empowered to review any employment-related decision taken on or after October 15, 1992.

The issue of the possible establishment of an administrative tribunal has been under consideration by the Executive Board since 1986. The first stage in this process was to review the major administrative tribunals established by other international organizations, including the major features of these tribunals and their general practices and procedures. Having agreed, in principle, that the Fund should have an administrative tribunal, the Executive Board conducted a comprehensive review of the various issues raised by the establishment of a tribunal. On that basis, a statute providing for the establishment of an administrative tribunal for the Fund was prepared, with accompanying commentary.

Under the terms of the statute as approved by the Board of Governors, all staff members will be entitled to have the tribunal review decisions that affect the terms and conditions of their employment. The tribunal is authorized to render judgments, binding on the Fund and on the staff, on whether a particular decision is lawful, and to order appropriate remedies if a staff member has been adversely affected by an unlawful decision. The tribunal has jurisdiction to review both decisions that are specific to an individual staff member and general decisions setting out or modifying the terms and conditions of employment.

The tribunal will consist of a president, two associate members, and two alternates, each of whom will be of the highest professional calibre. They will serve for fixed terms of two years, subject to reappointment. The tribunal will hold its sessions in Washington. It is expected that the tribunal will be serviced by a small secretariat, to serve under the direction of the tribunal's president.

The tribunal will follow the procedures established in its governing statute, which are similar to those of other international administrative tribunals. The tribunal will supplement these procedures by adopting more detailed rules of procedure of specific matters, consistent with the general principles of the statute. The tribunal will build on the system of internal review of decisions already in place in the Fund, including the Grievance Committee.

If the tribunal concludes that a decision is inconsistent with the law of the Fund, it will be empowered to order appropriate remedies. The precise remedy will depend on the type of decision at issue and the adverse effect it has had on the staff member bringing the action. The normal form of relief would be the award of monetary damages, although nonmonetary relief could be appropriate in certain circumstances. However, the tribunal's authority to order such relief is qualified by the right of Fund management to opt to pay monetary compensation in lieu of the action requested.

The tribunal is also authorized to award costs to successful staff members who have incurred legal expenses in presenting their cases, and to award reasonable costs against a staff member whose case is found to be frivolous and who is clearly abusing the tribunal process.

Table III.1

Publications Issued, Financial Year Ended April 30, 1993

Official Reports and Other Documents

Annual Report of the Executive Board for the Financial Year Ended April 30, 1992
(English, French, German, and Spanish). Free.

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

Exchange Arrangements and Exchange Restrictions, Annual Report 1992
$39.50 ($20.00 to full-time university faculty members and students).

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

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

Periodic Publications

Balance of Payments Statistics Yearbook
Vol. 43. A two-part yearbook. $45.00 a year.

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

Government Finance Statistics Yearbook
Vol. 16, 1992 (Introduction and titles of lines in English, French, and Spanish). $48.00.

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

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

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

Magnetic tape subscriptions to *Balance of Payments Statistics Yearbook, Direction of Trade Statistics, Government Finance Statistics Yearbook,* and *International Financial Statistics* are also available. *International Financial Statistics* is also available on CD-ROM. Price information is available on request.

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

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

Occasional Papers

No. 94. *Tax Harmonization in the European Community: Policy Issues and Analysis*
Edited by George Kopits.

No. 96. *Policy Issues in the Evolving International Monetary System*
By Morris Goldstein, Peter Isard, Paul R. Masson, and Mark P. Taylor.

No. 97. *Rules and Discretion in International Economic Policy*
By Manuel Guitián.

No. 98. *Albania: From Isolation Toward Reform*
By Mario I. Blejer, Mauro Mecagni, Ratna Sahay, Richard Hides, Barry Johnston, Piroska Nagy, and Roy Pepper.

No. 99. *Mexico: The Strategy to Achieve Sustained Economic Growth*
By Claudio Loser and Eliot Kalter.

No. 100. *The Gambia: Economic Adjustment in a Small Open Economy*
By Michael T. Hadjimichael, Thomas Rumbaugh, and Eric Verreydt.

No. 101. *Spain: Converging with the European Community*
By Michel Galy, Gonzalo Pastor, and Thierry Pujol.

No. 102. *Financial Sector Reforms and Exchange Arrangements in Eastern Europe*
By Guillermo Calvo, Manmohan S. Kumar, Eduardo Borensztein, and Paul R. Masson.

No. 103. *Liberalization of the Capital Account: Experiences and Issues*
By Donald J. Mathieson and Liliana Rojas-Suárez.

Occasional Papers are available for $15.00 each, with a special price of $12.00 each to full-time university faculty members and students.

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

World Economic and Financial Surveys

World Economic Outlook: A Survey by the Staff of the International Monetary Fund
(May 1992) (English, French, and Spanish)
$30.00 ($20.00 to full-time university faculty members and students).

World Economic Outlook: A Survey by the Staff of the International Monetary Fund
(October 1992) (Arabic, English, French, and Spanish)
$30.00 ($20.00 to full-time university faculty members and students).

World Economic Outlook—Interim Assessment: A Survey by the Staff of the International Monetary Fund
(January 1993) (English)
$30.00 ($20.00 to full-time university faculty members and students).

Private Market Financing for Developing Countries
By a Staff Team in the Policy Development and Review Department led by Charles Collyns.
$20.00 ($12.00 to full-time university faculty members and students).

International Capital Markets: Developments, Prospects, and Policy Issues
By Morris Goldstein, David Folkerts-Landau, Mohamed El-Erian, Steven Fries, and Liliana Rojas-Suárez
$20.00 ($12.00 to full-time university faculty members and students).

International Capital Markets—Part I
By Morris Goldstein, David Folkerts-Landau, Peter Gaber, Liliana Rojas-Suárez, and Michael Spencer.
$20.00 ($12.00 to full-time university faculty members and students).

Developments in International Exchange and Payments Systems
By a Staff Team from the Exchange and Trade Relations Department
$20.00 ($12.00 to full-time university faculty members and students).

Issues and Developments in International Trade Policy
By a Staff Team led by Margaret Kelly and Anne Kenny McGuirk.
$20.00 ($12.00 to full-time university faculty members and students).

Books

Foreign and Intratrade Policies of the Arab Countries
Edited by Said El-Naggar.
$18.50.

Improving Tax Administration in Developing Countries
Edited by Richard M. Bird and Milka Casanegra de Jantscher.
$23.00.

Policies for African Development: From the 1980s to the 1990s
Edited by I. G. Patel.
$24.00.

Public Expenditure Management
By A. Premchand.
$20.00.

Structural Adjustment and Macroeconomic Policy Issues
Moderator: V. A. Jafarey.
$17.50.

The United States Economy: Performance and Issues
By a Staff Team Headed by Yusuke Horiguchi.
$35.00.

Economic Reviews (1992)

Armenia — *Tajikistan*
Moldova — *Kyrgyzstan*
Georgia — *Kazakhstan*
Azerbaijan — *Uzbekistan*
Turkmenistan

The Economic Reviews are $10.00 each.

IMF Economic Reviews, 1993

No. 1. *Armenia*
No. 2. *Moldova*
No. 3. *Azerbaijan*

The IMF Economic Reviews are $15.00 each.

Reports

Background Papers: Report on the Measurement of International Capital Flows
$19.50.

Report on Measurement of International Capital Flows
$19.50.

Pamphlets

No. 45 *Financial Organization and Operations of the IMF*
By the Treasurer's Department.
(French, Spanish, and Russian). Free.

No. 46 *The Unique Nature of the Responsibilities of the International Monetary Fund*
By Manuel Guitián
(English, French, and Spanish). Free.

Booklets

The IMF in an Interdependent World Economy
By Michel Camdessus. Free.

One World—One Economy, instructor's guide to the four-part IMF film series of the same name (Russian). $12.50.

Copies of the Fund's publications may be obtained from Publication Services, International Monetary Fund, 700 19th Street, N.W., Washington, D.C. 20431, U.S.A.
Telephone (202) 623-7430.
Telefax (202) 623-7201.

Principal Policy Decisions of the Executive Board

A. Surveillance Over Members' Exchange Rate Policies

(a) Extension of Period for Reviews

In Decision No. 9499-(90/111),[1] adopted July 11, 1990 the words "July 11, 1992" shall be replaced by the words "November 22, 1992."

Decision No. 10072-(92/85)
July 2, 1992

In Decision No. 9499-(90/111),[2] adopted July 11, 1990, as amended, the words "November 22, 1992" shall be replaced by the words "January 31, 1993."

Decision No. 10159-(92/122)
October 7, 1992

(b) Article IV Consultation Cycles—Review of Temporary Changes

The Executive Board has reviewed the temporary shift in consultation cycles as provided for in the statement of the Chairman at [Executive Board Meeting of November 22, 1991] and decides that, effective November 22, 1992, consultations with members shall be held in accordance with Appendix I of [the staff paper].

Decision No. 10168-(92/127)
October 15, 1992

(c) Review

1. The Executive Board has reviewed the general implementation of the Fund's surveillance over members' exchange rate policies, as required by paragraph VI of Procedures for Surveillance contained in the document entitled "Surveillance Over Exchange Rate Policies" attached to Decision No. 5392-(77/63),[3] adopted April 29, 1977, as amended, including the procedures for the conduct of consultations under Article IV, which in principle shall comprehend the regular consultations under Article VIII and Article XIV, and approves the procedures as described in [the staff paper], in the light of the Managing Director's summing up, until the next review, which shall be conducted not later than January 29, 1995.

2. The Executive Board has reviewed the document entitled "Surveillance Over Exchange Rate Policies" attached to Decision No. 5392-(77/63),[3] adopted April 29, 1977, as amended, as required by paragraph 2 of that decision. The next review of the document shall be conducted not later than January 29, 1995.

3. Paragraph 3 of Decision No. 6026-(79/13),[4] January 22, 1979, on the Supplemental Surveillance Procedure shall be amended to read in the following manner:

> 3. Supplemental Surveillance Procedure. Whenever the Managing Director considers that important economic or financial developments are likely to affect a member's exchange rate policies or the behavior of the exchange rate of its currency, he shall initiate informally and confidentially a discussion with the member. After such discussion, the Managing Director may report to the Executive Board or informally advise the Executive Directors and, if the Executive Board considers it appropriate, an ad hoc Article IV consultation between the member and the Fund shall be conducted. An ad hoc Article IV consultation shall be subject to the procedures for completion of interim consultations set out in Decision No. 9637-(91/15),[5] February 8, 1991.

Decision No. 10273-(93/15)
January 29, 1993

(d) Biennial Review of the Fund's Surveillance Policy—Termination of Bicyclic Consultation Procedure

The bicyclic consultation procedure shall be terminated and each member currently on the bicyclic procedure shall be immediately placed on the standard 12-month cycle; the first consultation with each such member that is completed after the adoption of this decision shall be conducted in accordance with the procedures that apply to consultations under the standard 12-month cycle, and the deadline for completion that applied under the bicyclic procedure shall continue to apply to such consultation.

Decision No. 10362-(93/67)
May 10, 1993

(e) Amendment of Procedures

The fourth sentence of Section II of Procedures for Surveillance contained in the document entitled "Surveillance Over Exchange Rate Policies" attached to Decision No. 5392-(77/63),[3] adopted April 29, 1977, as amended, shall be amended to read as follows:

> Not later than three months after the termination of discussions between the member and the staff, the Executive Board shall reach conclusions and thereby complete the consultation under Article IV.

Decision No. 10363-(93/67)
May 10, 1993

(f) Supplemental Surveillance Procedures—Amendment

Paragraph 3 of Decision No. 6026-(79/13),[4] adopted January 22, 1979, as amended on the Supplemental Surveillance Procedures shall be amended to read in the following manner:

> 3. Supplemental Surveillance Procedures
> (a) Whenever the Managing Director considers that important economic or financial developments are likely to affect a member's exchange rate policies or the behavior of the exchange rate of its currency, he shall initiate informally and confidentially a discussion with the member. After such discussion the Managing Director may report to the Executive Board or informally advise the Executive Directors

[1]See *Selected Decisions*, Seventeenth Issue, pages 15, 17–18.
[2]See Item (a), above.
[3]See *Selected Decisions*, Seventeenth Issue, pages 8–13.
[4]Ibid., pages 13–14.
[5]Ibid., page 22.

and, if the Executive Board considers it appropriate, an ad hoc Article IV consultation between the member and the Fund shall be conducted in accordance with the procedure set out in subparagraph (b) below.

(b) A staff report will be circulated to the Executive Directors under cover of a note from the Secretary specifying a tentative date for Executive Board discussion which will be at least 15 days later than the date upon which the report is circulated. The Secretary's note will also set out a draft decision taking note of the staff report and completing the ad hoc consultation without discussion or approval of the views contained in the report; the decision will be adopted upon the expiration of the two-week period following the circulation of the staff report to the Executive Directors unless, within such period, there is a request from an Executive Director or a decision of the Managing Director to place the report on the agenda of the Executive Board. If the staff report is placed on the agenda, the Executive Board will discuss the report and will reach conclusions which will be reflected in a summing up.

(c) Unless otherwise decided by the Executive Board, the conduct of an ad hoc consultation with a member will not affect the consultation cycle applicable to the member or the deadline for completion of the next consultation with the member.

Decision No. 10364-(93/67)
May 10, 1993

(g) Biennial Review of the Fund's Surveillance Policy—Midterm Reviews Under Enhanced Surveillance

The midterm review of a member's economic policy program under enhanced surveillance shall be conducted in accordance with the following procedure. A staff report will be circulated to the Executive Directors under cover of a note from the Secretary specifying a tentative date for Executive Board discussion which will be at least 15 days later than the date upon which the report is circulated. The Secretary's note will also set out a draft decision taking note of the staff report and completing the review without discussion or approval of the views contained in the report; the decision will be adopted upon the expiration of the two-week period following the circulation of the staff report to the Executive Directors unless, within such period, there is a request from an Executive Director or a decision of the Managing Director to place the report on the agenda of the Executive Board. If the staff report is placed on the agenda, the Executive Board will discuss the report and will reach conclusions which will be reflected in a summing up.

Decision No. 10365-(93/67)
May 10, 1993

B. Access Policy

(a) Guidelines on Access Limits

1. The Fund, having reviewed Decisions No. 6783-(81/40),[6] adopted March 11, 1981, as amended, No. 7600-(84/3),[7] adopted January 6, 1984, as amended, and No. 9546-(90/145),[8] adopted September 17, 1990, as amended, and having noted that, upon the fulfillment of the requirement for effectiveness of increases in quotas under the Ninth General Review of Quotas specified by paragraph 3 of the Resolution of the Board of Governors No. 45-2, it may no longer approve stand-by or extended arrangements under the Enlarged Access Policy, decides that, after that date, access by members to the Fund's general resources under the credit tranches and the extended Fund facility shall be subject to an annual limit of 68 percent of quota and a cumulative limit of 300 percent of quota, net of scheduled repurchases. These limits shall not be regarded as targets. Within these limits, the amount of access in individual cases will vary according to the circumstances of the member in accordance with criteria established by the Executive Board. The Fund may approve stand-by or extended arrangements that provide for amounts in excess of these access limits in exceptional circumstances.

2. The guidelines and the access limits are intended to be temporary. Therefore, they will be reviewed not later than October 29, 1993 and annually thereafter in light of all relevant factors, including the magnitude of members' payments problems and developments in the Fund's liquidity.

Decision No. 10181-(92/132)
November 3, 1992

(b) Access Limits Under Special Facilities

Upon the fulfillment of the requirement for effectiveness of increases in quotas under the Ninth General Review of Quotas specified by paragraph 3 of the Resolution of the Board of Governors No. 45-2:

(a) The percentages of a member's quota referred to in Decision No. 8955-(88/126),[9] adopted August 23, 1988, as amended, on the establishment of the compensatory and contingency financing facility, shall be changed as follows:

- —in paragraph 8(a)(i), 105 percent shall be changed to 80 percent;
- —in paragraph 8(a)(ii), 83 percent and 40 percent shall be changed to 65 percent and 30 percent, respectively;
- —in paragraph 8(a)(iii), 40 percent shall be changed to 30 percent;
- —in paragraph 8(a)(iv), 83 percent and 17 percent shall be changed to 65 percent and 15 percent, respectively;
- —in paragraph 8(a)(v), the references to 83 percent and 57 percent shall be deleted;
- —in paragraph 8(a)(vi), 122 percent shall be changed to 95 percent;
- —in paragraph 8(b), 40, 17, and 25 percent shall be changed to 30, 15, and 20 percent, respectively, and the reference to 57 percent shall be deleted;
- —in paragraphs 12(a)(i) and 12(a)(ii), respectively, 40 percent shall be changed to 30 percent, and 65 percent to 50 percent;

[6]Ibid., pages 81–85.
[7]Ibid., pages 86–87.
[8]Ibid., pages 88–89.
[9]Ibid., pages 106–32.

—in paragraphs 12(b)(i), 12(b)(ii), and 12(b)(iii), respectively, 20 percent shall be changed to 15 percent, 40 percent to 30 percent, and 65 percent to 50 percent;
—in paragraph 12(c), 83 percent shall be changed to 65 percent;
—in paragraph 21(a), 35 percent shall be changed to 25 percent;
—in paragraph 23, 40 percent shall be changed to 30 percent;
—in paragraphs 36(b)(i), 36(b)(ii), 36(c)(i), and 36(c)(ii), 17 percent and 42 percent shall be changed to 15 percent and 35 percent, respectively;
—in paragraph 37(a), 105 percent shall be changed to 80 percent;
—in Section V, on the compensatory financing of fluctuations in the cost of oil imports, all the references to percentages of a member's quota shall be deleted.

(b) The percentage in paragraph 2 of Decision No. 2772-(69/47),[10] adopted June 25, 1969, as amended, on the buffer stock financing facility, shall be changed from 45 percent to 35 percent.

Decision No. 10183-(92/132)
November 3, 1992

(c) Elimination of Floating

Buffer Stock Financing Facility

a. Except for the purpose of determining the level of conditionality applied to purchases in the credit tranches, the Fund's holdings of a member's currency resulting from purchases under Decision No. 2772-(69/47),[10] adopted June 25, 1969, as amended, on the buffer stock financing facility, shall be considered separate from the Fund's holdings of the same currency resulting from purchases under any other policy on the use of the Fund's general resources. In cases of concurrent requests for purchases under Decision No. 2772-(69/47)[10] and purchases in the credit tranches, purchases under Decision No. 2772-(69/47)[10] shall be deemed to be made first.

Extended Fund Facility

b. Decision No. 4377-(74/114),[11] adopted September 13, 1974, as amended, on the extended Fund facility, shall be further amended by deleting the second sentence of Section II, paragraph 4(b).

Borrowed and Substituted Resources Under Enlarged Access Policy

c. For purposes of determining the level of conditionality applied to purchases in the credit tranches, the Fund will take into account its holdings of a member's currency resulting from purchases made with borrowed resources under Decision No. 6783-(81/40),[12] adopted March 11, 1981, as amended, and with substituted resources in accordance with Decision No. 9546-(90/145),[13] adopted September 17, 1990, as amended.

Compensatory and Contingency Financing Facility

d. Decision No. 8955-(88/126),[14] adopted August 23, 1988, as amended, on the establishment of the compensatory and contingency financing facility, shall be amended further by replacing paragraph 4 of Section I by the following:

> 4. Except for the purpose of determining the level of conditionality applied to purchases in the credit tranches, the Fund's holdings of a member's currency resulting from purchases under any of the policies set forth in this Decision shall be considered separate from the Fund's holdings of the same currency resulting from purchases under any other policy on the use of the Fund's general resources. In cases of concurrent requests for purchases under any Section of this Decision and for purchases in the credit tranches, purchases under this Decision shall be deemed to be made first.

Decision No. 10186-(92/132)
November 3, 1992

C. Compensatory and Contingency Financing Facility

(a) Review—Extension of Deadline

The Fund shall review the Decision on the Compensatory and Contingency Financing Facility (Decision No. 8955-(88/126),[14] adopted August 23, 1988, as amended) not later than December 31, 1992.

Decision No. 10071-(92/85)
July 2, 1992

The Fund shall review the Decision on the Compensatory and Contingency Financing Facility (Decision No. 8955-(88/126),[14] adopted August 23, 1988, as amended) not later than March 31, 1993.

Decision No. 10263-(93/1)
December 31, 1992

(b) Amendments

Decision No. 8955–(88/126),[14] adopted August 23, 1988, as amended, shall be further amended as follows:

1. The following sentence shall be added at the end of paragraph 9:

> , and, having regard to the outstanding financial obligations of the member to the Fund, may reduce the amount of financing accordingly, notwithstanding any other provision in this Decision.

2. The following subparagraph (f) shall be added in paragraph 12:

[10]Ibid., page 144.
[11]Ibid., pages 71–75.
[12]Ibid., pages 81–85.
[13]Ibid., pages 88–89.
[14]Ibid., pages 106–32.

Whenever estimated data are used for 9 months or more of the 12-month period referred to in paragraph 14, an amount of compensatory financing, determined in accordance with this Decision as an amount to be purchased under this Section, shall be phased in two purchases in accordance with this subparagraph. The two purchases shall be governed by the provisions of this subparagraph. The member may expect that its request for the first purchase, which shall be for up to 65 percent of the amount of compensatory financing, shall be met immediately. The member may expect that its request for the second purchase, which shall be for up to the difference between (i) the amount of compensatory financing recalculated at the time of the request for the second purchase and (ii) the amount of the first purchase, shall be met after actual data become available for at least 6 months of the 12-month period, provided that:

—the 12-month period shall be the same as for the first purchase and the second purchase shall be subject to the provisions of subparagraph (g) below,

—if policy implementation by the member or the external circumstances of the member differ materially from that originally anticipated at the time of the request for the first purchase, the Fund may decide not to approve, or to reduce the amount available under, the second purchase, and

—if the first purchase and the second purchase requested by the member would cause the Fund's holdings of the member's currency resulting from purchases under this Section to exceed the limit in this paragraph under which the first purchase was made, the second purchase shall be subject to the relevant provisions of subparagraphs (a), (b), and (c) above instead of the provisions of this subparagraph.

3. The following subparagraph (g) shall be added in paragraph 12:

A purchase under this Section shall not be approved later than 6 months after the end of the 12-month period referred to in paragraph 14, provided that it may be approved up to 7 months after the end of such period if the delay beyond 6 months is the result of circumstances external to the member.

4. The following sentence shall be added at the end of paragraph 15:

If, in the opinion of the Fund, adequate data are available for this purpose, the calculations and estimates under this paragraph of earnings from an export item shall, with respect to a purchase on account of an export shortfall under this Section or Section IV, be made net of the value of imported intermediate inputs, where such value exceeds 50 percent of the gross earnings from the export item and the exclusion of the value of the export item would increase or reduce by at least 10 percent the amount that could otherwise be purchased on account of the export shortfall.

5. The following sentence shall be added at the end of paragraph 16(a):

The calculation of such an excess with respect to a purchase shall be made on the basis of the same post-shortfall year projections used for the calculation of the purchase, provided that if the member has made more than one purchase with respect to the same 12-month period, the calculation of any excess with respect to all such purchases will be made on the basis of the post-shortfall year projections used for the latest of such purchases.

6. The following subparagraph (c) shall be added in paragraph 16:

Provision shall be made in stand-by and extended arrangements for the suspension of further purchases under the arrangement whenever a member fails to meet a repurchase expectation pursuant to subparagraph (a) above. Furthermore, the Managing Director shall not recommend for approval, and the Fund shall not approve, a request for the use of the Fund's general resources by a member that is failing to meet such an expectation.

7. Paragraphs 18 to 27 shall be deleted and the following paragraphs 18 to 22 shall be added:

18. (a) A decision by the Fund that it will be prepared to provide financing under paragraph 17 may be taken only in association with a Fund arrangement which provides that adjustments to performance criteria under the arrangement, including the performance criterion pertaining to international reserves, shall be made automatically in accordance with subparagraph (b) below in the event that deviations in the member's balance of payments due to external contingencies occur during the period of the program supported by the arrangement. With respect to arrangements under the Structural Adjustment Facility, references in this Section to performance criteria shall be understood to be to benchmarks under such arrangements.

(b) The automatic adjustments to performance criteria contemplated in subparagraph (a) above will be made in accordance with the terms specified in the arrangement, which shall include the external contingencies that will be taken into account and such other modalities as the Fund may determine. The external contingencies shall relate to key external variables of the member's current account that are highly volatile and easily identifiable.

19. (a) When deciding that it will be prepared to provide financing under paragraph 17, the Fund shall specify the maximum amount of purchases under this Section that may be permitted in association with the arrangement in case of unfavorable deviations and the maximum amount by which the arrangement could be reduced in accordance with paragraph 22 in the case of a favorable deviation. These two maximum amounts will normally be the same.

(b) The maximum amount of purchases under this Section that may be made in association with a Fund arrangement will generally not exceed 70 percent of the amount of the arrangement.

(c) When a member makes a request under paragraph 17, every effort will be made to obtain contingent financing from other sources.

20. (a) The Fund may provide financing under this Section only if:

(i) an automatic adjustment to the performance criterion pertaining to international reserves under the Fund arrangement for the member has occurred as contemplated in paragraph 18 as a result of an unanticipated unfavorable deviation in the member's balance of payments;

(ii) the deviation referred to in subparagraph (i) above is outside the control of the member;

(iii) the member's performance under the associated Fund arrangement is satisfactory;

(iv) the member is prepared to adapt its adjustment policies as may be necessary to ensure the viability of the program supported by the associated arrangement through a mix of adjustment and financing appropriate to the circumstances of the member; and

(v) the program supported by the associated Fund arrangement continues to be adequately financed which, if necessary, may include the provision of financing from other sources.

(b) Financing under this Section shall be provided generally on the basis of a review by the Executive Board.

(c) The amount of financing shall be equal to the amount of the adjustment to the performance criterion pertaining to international reserves contemplated in paragraph 18(a), provided that:

(i) the amount of financing shall be subject to the maximum amount of purchases specified pursuant to paragraph 19(a);

(ii) the amount of financing shall not exceed the amount by which the member's actual balance of payments position at the end of the period with respect to which contingency financing is requested is less favorable than projected in the member's program supported by the associated arrangement; and

(iii) the Fund's holdings of the member's currency resulting from purchases under this Section on account of deviations in net interest costs in association with all Fund arrangements for the member shall not exceed 25 percent of the member's quota.

(d) For purposes of applying the limitation in subparagraph (c)(iii) above, when a purchase to be made under this Section is attributable to unfavorable deviations in net interest costs and in one or more other variables relating to external contingencies, the purchase shall be allocated between the deviation in net interest costs and the other deviations. The portion that is to be allocated to the deviation in net interest costs shall be determined on the basis of the share of such deviation in the sum of the deviations.

(e) When, at the request of a member, the Fund has decided to provide financing to the member under this Section that would cause the Fund's holdings of the member's currency resulting from purchases under this Section to exceed 30 percent of the member's quota, the amount of such excess over 30 percent of quota shall not be available under paragraph 8(b), in respect of the arrangement in association with which the Fund decides to provide such financing, for other purchases under this Decision, unless the member notifies the Fund that it will not avail itself of such financing in excess of 30 percent under this Section.

21. Purchases under this Section shall be subject to the observance of any applicable performance criteria or other conditions specified in the associated arrangement, as if such purchases were drawings to be made under that arrangement. Purchases under this Section may be phased as specified by the Fund.

22. (a) If an automatic adjustment to a member's performance criteria pertaining to international reserves has occurred as contemplated in paragraph 18 as a result of a favorable deviation in the member's balance of payments, the Fund may, taking into account the member's level of international reserves, decide to reduce the amount of the arrangement by an amount up to the difference between the deviation and the automatic adjustment, but not exceeding the maximum amount specified pursuant to paragraph 19(a) or the amount that would have been financed under this Section if the deviation had been unfavorable.

(b) When one or more purchases under this Section has earlier been made by the member, the member may choose to substitute for a reduction of the amount of the arrangement a repurchase of a corresponding amount of the Fund's holdings of the member's currency in respect of such earlier purchases.

8. The following subparagraph (g) shall be added in paragraph 36:

Whenever estimated data are used for 9 months or more of the 12-month period referred to in paragraph 32, an amount of compensatory financing, determined in accordance with this Decision as an amount to be purchased under this Section, shall be phased in two purchases in accordance with this subparagraph. The two purchases shall be governed by the provisions of this subparagraph. The member may expect that its request for the first purchase, which shall be for up to 65 percent of the amount of compensatory financing, shall be met immediately. The member may expect that its request for the second purchase, which shall be for up to the difference between (i) the amount of compensatory financing recalculated at the time of the request for the second purchase and (ii) the amount of the first purchase, shall be met after actual data become available for at least 6 months of the 12-month period, provided that:

—the 12-month period shall be the same as for the first purchase and the second purchase shall be subject to the provisions of subparagraph (h) below,

—if policy implementation by the member or the external circumstances of the member differ materially from that originally anticipated at the time of the request for the first purchase, the Fund may decide not to approve, or to reduce the amount available under, the second purchase, and

—if the first purchase and the second purchase requested by the member would cause the Fund's holdings of the member's currency resulting from purchases under this Section to exceed the limit in this paragraph under which the first purchase was made, the second purchase shall be subject to the relevant provisions of subparagraphs (b), (c), and (d) above instead of the provisions of this subparagraph.

9. The following subparagraph (h) shall be added in paragraph 36:

A purchase under this Section shall not be approved later than 6 months after the end of the 12-month period referred to in paragraph 32, provided that it may be approved up to 7 months after the end of such period if the delay beyond 6 months is the result of circumstances external to the member.

10. The following sentence shall be added at the end of paragraph 38(a):

The calculation of such an excess with respect to a purchase shall be made on the basis of the same post-shortfall year projections used for the calculation of the purchase, provided that if the member has made more than one purchase with respect to the same 12-month period, the calculation of any excess with respect to all such purchases will be made on the basis of the post-shortfall year projections used for the latest of such purchases.

11. The following subparagraph (c) shall be added in paragraph 38:

Provision shall be made in stand-by and extended arrangements for the suspension of further purchases under the arrangement whenever a member fails to meet a repurchase expectation pursuant to subparagraph (a) above. Furthermore, the Managing Director shall not recommend for approval, and the Fund shall not approve, a request for the use of the Fund's general resources by a member that is failing to meet such an expectation.

12. Paragraph 61 shall be amended to read as follows:

The Fund will review this Decision not later than January 13, 1996.

13. Paragraphs 28 to 61 of the CCFF decision, and the corresponding references to these paragraphs in the CCFF decision, shall be renumbered as paragraphs 23 to 56.

Decision No. 10398-(93/89)
June 23, 1993

D. General Arrangements to Borrow

(a) Amendment

1. In light of Switzerland's membership in the Fund, Decision No. 1289-(62/1)[15] on the General Arrangements to Borrow, as amended, is further amended by deleting its paragraph 22, as indicated in the revised text in the attachment to [the staff paper].

2. This amendment shall become effective when all eleven participants have notified the Fund in writing, not later than December 24, 1992, or such later date as may be prescribed by the Executive Board, that they concur in the amendment.

Decision No. 10175-(92/129)
October 28, 1992

(b) Renewal

Executive Board Decision No. 1289-(62/1)[15] on the General Arrangements to Borrow, as amended, is hereby renewed for a period of five years from December 26, 1993.

Decision No. 10176-(92/129)
October 28, 1992

(c) Borrowing Agreement Between Saudi Arabia and Fund—Renewal

Pursuant to Article VII, Section 1 of the Articles of Agreement, the Managing Director is authorized to send to the Minister of Finance of Saudi Arabia a letter as set forth in the attachment. . . , proposing a further renewal, for a period of five years from December 26, 1993, of the 1983 borrowing agreement with Saudi Arabia in association with the General Arrangements to Borrow. When a reply is received from the Minister accepting the proposal, the Managing Director's letter and the reply shall constitute an agreement on the further renewal of the 1983 borrowing agreement between Saudi Arabia and the Fund, which shall enter into force on December 26, 1993.

Decision No. 10235-(92/149)
December 10, 1992

Attachment

Your Excellency,

I refer to the borrowing agreement between the International Monetary Fund (the Fund) and Saudi Arabia in association with the General Arrangements to Borrow (GAB), which entered into force on December 26, 1983, and was renewed for a period of five years from December 26, 1988 (henceforth referred to as the 1983 borrowing agreement). Pursuant to Executive Board Decision No. 10235-(92/149) adopted December 10, 1992, I have been authorized to propose on behalf of the Fund that Saudi Arabia agree to a further renewal of the 1983 borrowing agreement on the same terms and conditions as set forth therein, for a period of five years from December 26, 1993.

If the foregoing proposal is acceptable to Saudi Arabia, this communication and your reply indicating Saudi Arabia's acceptance shall constitute an agreement between Saudi Arabia and the Fund on a further renewal of the 1983 borrowing agreement, which shall enter into force on December 26, 1993.

With kind regards,
Yours sincerely,

Michel Camdessus

H.E. Sheikh Mohammad Abalkhail
Minister of Finance and National Economy
P.O. Box 6099
Riyadh 11177
Saudi Arabia

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

The Executive Board decides that the guidelines regarding the use of currencies in the operational budget as set out. . . [in] Decision No. 9480-(90/103),[16] adopted June 27, 1990 shall continue to apply until January 31, 1993.

Decision No. 10187-(92/132)
October 30, 1992

The Executive Board approves the operational guidelines set out below:

a. On the transfer side of the operational budget, currencies will be allocated in proportion to members' gold and foreign exchange reserves, as reported in *International Financial Statistics*, provided that the Fund's holdings of a member's currency in terms of quota shall not be reduced as a result of transfer allocations below a floor of two thirds of the average level, expressed as a percent of quota, at which the Fund would hold by the end of a budget period the currencies of members that are sufficiently strong to be included in the operational budget (excluding the United States dollar);

b. The use of the U.S. dollar in transfers shall be included in the operational budgets on the basis of ad hoc proposals and, to the extent feasible, the Fund will aim to maintain the Fund's holdings of U.S. dollars, in relation to quota, close to the average level of the Fund's holdings of currencies of other members in relation to quotas that are sufficiently strong to be included in the operational budget;

c. On the receipts side of the operational budget, the currencies to be used in receipts will be allocated in proportion to the reserve tranche positions of those members included in the operational budget, provided that such use shall not raise the Fund's holdings of such a member's currency above its norm for remuneration;

[15]Ibid., pages 294–307.

[16]Ibid., pages 206–207.

d. The currencies of members with no outstanding purchases and with relatively large reserve tranche positions that were not considered sufficiently strong for inclusion in the operational budget would be used in receipts only, with their agreement;

e. The Fund will seek to maintain adequate working balances of currencies of not less than 10 percent of quotas;

f. The operation of the guidelines will be periodically reported to the Executive Board in the context of the quarterly operational budget; any proposals for modification of the guidelines will be presented to the Executive Board for its consideration. The guidelines will be reviewed by the Executive Board not later than February 10, 1995.

Decision No. 10279-(93/19)
February 10, 1993

F. Level of Fund SDR Holdings—Review

In determining the amounts of SDRs to be transferred in purchases and operational payments under the operational budgets, the Fund will be guided by the aim of reducing the Fund's SDR holdings to within a range of SDR 1.0–1.5 billion by end-1995. The Executive Board will be informed of the evolution of the Fund's holdings of SDRs on a regular basis in the context of the quarterly operational budget.

Decision No. 10278-(93/19) S
February 10, 1993

G. Overdue Financial Obligations

(a) Modalities of Gold Pledge for Use of ESAF Trust Resources Under Rights Approach

1. As long as loans from the Enhanced Structural Adjustment Facility Trust (hereinafter the "ESAF Trust") to members for the financing of "rights" as defined in the Managing Director's Summing Up at. . . [Executive Board Meeting] of June 20, 1990 are outstanding, the Fund shall review the adequacy of the Reserve Account of the ESAF Trust (hereinafter the "Reserve Account") shortly before June 30 and December 31 of each year.

2. The Fund shall determine whether the amounts held in the Reserve Account, plus other available means of financing that would effectively restore the resources of the Trust, are sufficient to meet all obligations which could give rise to a payment from the Reserve Account to lenders to the Loan Account of the ESAF Trust in the six months following a review under paragraph 1. To the extent that it is determined by the Fund that these resources are insufficient to meet all such obligations (the "potential shortfall"), then the Managing Director is hereby authorized and instructed to sell gold held in the General Resources Account of the Fund in an amount that would generate proceeds available for transfer to the Special Disbursement Account under Article V, Section 12(*f*), up to the equivalent of the potential shortfall in the Reserve Account provided that

(i) these proceeds shall not exceed the equivalent of the previous drawings on the Reserve Account attributable to obligations under loans from the ESAF Trust to members for overdue the financing of rights as described above, plus forgone interest earnings on amounts equivalent to these drawings, and less any amounts corresponding to these drawings that have been subsequently paid by such members or for which the Reserve Account has previously been replenished from the proceeds of a gold sale under this decision; and

(ii) the total amount of gold available for sale under this decision shall not exceed the amount specified in paragraph 4.

3. The proceeds of any sale of gold under this decision in excess of an amount equivalent at the time of the sale to one special drawing right per 0.888 671 gram of fine gold shall be placed in the Special Disbursement Account and shall be transferred immediately thereupon to the Reserve Account.

4. Subject to paragraphs 5, 6, and 7, the Fund shall retain full ownership of holdings of gold of 3 million ounces in the General Resources Account, less any amounts sold pursuant to this decision, as long as loans from the ESAF Trust to members for the financing of rights as described above remain outstanding.

5. The need to maintain the full amount specified in paragraph 4 available for sale shall be reassessed on the occasion of the reviews under paragraph 1. This amount shall not be reduced without the consent of all lenders to the Loan Account of the ESAF Trust.

6. This decision shall not be amended by the Fund except with the consent of all lenders to the Loan Account of the ESAF Trust.

7. This decision shall be terminated (i) when after all loans that may be made from the ESAF Trust have been fully disbursed, the resources held in the Reserve Account exceed the amounts outstanding under ESAF Trust loans, or (ii) when after all loans that may be made from the ESAF Trust for the financing of rights as described above have been fully disbursed, there are no outstanding obligations under such ESAF Trust loans, with respect to which a gold sale can be made under this decision, whichever is earlier.

Decision No. 10286-(93/23) ESAF
February 22, 1993

(b) Special Charges—Review

The Fund has reviewed Decision No. 8165-(85/189) G/TR,[17] as amended.

Decision No. 10336-(93/49) G/TR
April 9, 1993

(c) Special Charges—Amendment

The following phrase shall be deleted from the first sentence of paragraph I.2 of Decision No. 8165-(85/189) G/TR,[17] as amended:

"resulting from purchases of the Fund's ordinary resources."

Decision No. 10337-(93/49) G/TR
April 9, 1993

[17]Ibid., pages 228–30

The following sentence shall be added to Section IV of Decision No. 8165-(85/189) G/TR,[18] as amended:

> Effective May 1, 1993, special charges under Section III above shall not be levied on overdue obligations of a member that is overdue for six months or more in meeting any financial obligation to the Fund subject to special charges under Section III above.

Decision No. 10352-(93/49) G/TR
April 9, 1993

H. Fund's Income Position

(a) Rate of Charge—Amendment

Effective May 1, 1993, the rate of charge established in accordance with Rule I-6(4) shall also apply to (i) holdings acquired as a result of purchases made with supplementary financing under Executive Board Decision No. 5508-(77/127)[19]; and to (ii) holdings acquired as a result of purchases of borrowed currency under the Policy on Enlarged Access to the Fund's Resources under Executive Board Decision No. 6783-(81/40).[20]

Decision No. 10224-(92/147)
December 9, 1992

(b) Burden Sharing—Implementation in FY 1994

Section I. Principles of "Burden Sharing"

1. The financial consequences for the Fund, which stem from the existence of overdue financial obligations, shall be shared between debtor and creditor member countries.
2. The sharing shall be applied in a simultaneous and symmetrical fashion.

Section II. Determination of the Rate of Charge

1. The rate of charge for financial year 1994 referred to in Rule I-6(4) and Rule I-7(5)(a) shall be adjusted in accordance with the provisions of Section IV.
2. The rate of charge referred to in Rule I-6(4) in force as of the end of financial year 1994, as adjusted under Section IV, shall continue to apply subsequently unless it is otherwise decided.

Section III. Amount for Special Contingent Account 1

An amount equivalent to 5 percent of the Fund's reserves at the beginning of the financial year shall be generated during financial year 1994 in accordance with the provisions of Section IV, and shall be placed to the Special Contingent Account 1 referred to in Decision No. 9471-(90/98),[21] adopted June 20, 1990.

[18]Ibid., pages 228–30.
[19]Ibid., pages 154–59.
[20]Ibid., pages 81–85.
[21]Ibid., pages 254–56.

Section IV. Implementation of Burden Sharing

1. During financial year 1994, notwithstanding Rule I-6(4)(a) and (b), Rule I-7(5)(a), and Rule I-10, the rate of charge referred to in Rule I-6(4) and Rule I-7(5)(a), and the rate of remuneration prescribed in Rule I-10 shall be adjusted in accordance with the provisions of this Section.

2. (a) In order to generate the amount to be placed to the Special Contingent Account 1 in accordance with Section III, the rate of charge, and, subject to the limitation in (c), the rate of remuneration, shall be adjusted in accordance with the provisions of this paragraph, so as to produce equal amounts of income.

(b) If income from charges becomes deferred during an adjustment period as defined in (d), the rate of charge and, subject to the limitation in (c), the rate of remuneration, shall be further adjusted, in accordance with the provisions of this paragraph, so as to generate, in equal amounts, an additional amount of income equal to the amount of deferred charges. For the purposes of this provision, special charges on overdue financial obligations under Decision No. 8165-(85/189) G/TR,[18] adopted December 30, 1985, as amended, shall not be taken into account.

(c) No adjustment in the rate of remuneration under this paragraph shall be carried to the point where the average remuneration coefficient would be reduced below 85 percent for an adjustment period.

(d) The adjustments under this paragraph shall be made as of May 1, 1993, August 1, 1993, November 1, 1993, and February 1, 1994:

shortly after July 31 for the period from May 1 to July 31;
shortly after October 31 for the period from August 1 to October 31;
shortly after January 31 for the period from November 1 to January 31;
shortly after April 30 for the period from February 1 to April 30.

(e) The operation of this decision shall be reviewed when the adjustment in the rate of remuneration reduces the remuneration coefficient to the limit in (c) above.

3. A midyear review of the Fund's income position shall be held shortly after October 31, 1993. If, after any adjustment under paragraph 2, the actual net income for the first six months of the financial year, on an annual basis, is below the target amount for the year, by an amount equivalent to, or greater than, 2 percent of the Fund's reserves at the beginning of the financial year, the Executive Board will consider how to deal with the situation. If by December 15 no agreement has been reached as a result of this consideration, the rate of charge referred to in Rule I-6(4) shall be increased as of November 1 to the level necessary to reach the target amount of net income for the year.

4. (a) Subject to paragraph 3 of Decision No. 8780-(88/12),[22] adopted January 29, 1988, the balances held in the Special Contingent Account 1 shall be distributed in accordance with the

[22]Ibid., pages 242–43.

provisions of this paragraph to members that have paid additional charges or have received reduced remuneration as a result of the adjustment, when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide.

(b) An amount equal to the proceeds of any adjustment for deferred charges shall be distributed, in accordance with the provisions of this paragraph, to members that have paid additional charges or have received reduced remuneration, when, and to the extent that, charges, the deferral of which had given rise to the same adjustment, are paid to the Fund. Distributions under this provision shall be made quarterly.

(c) Distribution under (a) and (b) shall be made in proportion to the amounts that have been paid or have not been received by each member as a result of the respective adjustments.

(d) If a member that is entitled to a payment under this paragraph has any overdue obligation to the Fund in the General Department at the time of payment, the member's claim under this paragraph shall be set off against the Fund's claim in accordance with Decision No. 8271-(86/74),[23] adopted April 30, 1986, or any subsequent decision of the Fund.

(e) Subject to paragraph 4 of Decision No. 8780-(88/12),[24] adopted January 29, 1988, if any loss is charged against the Special Contingent Account 1, it shall be recorded in accordance with the principles of proportionality set forth in (c).

Decision No. 10340-(93/54)
April 14, 1993

(c) Extended Burden Sharing—Implementation

1. Pursuant to Decision No. 9471-(90/98),[25] adopted June 20, 1990, as amended, the Fund has reviewed the operation of the implementation of extended burden sharing, including the amounts of adjustments.

2. Effective May 1, 1993, the words "by 0.35 percentage point" in paragraph 2(a) of Decision No. 9471-(90/98),[25] adopted June 20, 1990, as amended, shall be replaced by the words "by 0.26 percentage point."

Decision No. 10341-(93/54)
April 14, 1993

(d) Disposition of Net Income for FY 1993

The Fund's net income for FY 1993, equal to SDR 70,570,763, shall be placed to the Special Reserve.

Decision No. 10390-(93/86)
June 21, 1993

(e) Net Income Target for FY 1994 and Rate of Charge on Use of Fund Resources

1. The target amount of net income for FY 1994 shall be 5 percent of the Fund's reserves at the beginning of the financial year plus the shortfall from the income target in FY 1993.

2. Effective May 1, 1993, notwithstanding Rule I-6(4), the rate of charge referred to in Rule I-6(4) shall be determined as a proportion of the SDR interest rate under Rule T-1. The proportion shall be determined on the basis of the then prevailing SDR interest rate, the estimated income and expense of the Fund during the year, and the target amount of net income for the year.

3. Effective May 1, 1993, the proportion shall be 111.0 percent.

4. In accordance with Section IV, paragraph 3 of Decision No. 10340-(93/54),[26] adopted April 14, 1993, a midyear review of the Fund's income position shall be held shortly after October 31, 1993. If, after any adjustments under Section IV, paragraph 2 of Decision No. 10340-(93/54),[26] actual net income for the first six months of the financial year, on an annual basis, is below the target amount for the year by an amount equivalent to, or greater than, 2 percent of the Fund's reserves at the beginning of the financial year, the Executive Board will consider how to deal with the situation. If by December 15 no agreement has been reached as a result of this consideration, the proportion of the SDR interest rate shall be increased as of November 1 to the level necessary to reach the target amount of net income for the year.

5. When estimating income, no deduction shall be made for projected deferred income.

6. The Executive Board shall be notified, shortly after the end of each quarter, of the average rate of charge for the quarter.

Decision No. 10391-(93/86)
June 21, 1993

I. Extended Fund Facility—Amendment

Upon the fulfillment of the requirement for effectiveness of increases in quotas under the Ninth General Review of Quotas specified by paragraph 3 of the Resolution of the Board of Governors No. 45-2, Decision No. 4377-(74/114),[27] adopted September 13, 1974, as amended, shall be amended further by deleting Section II, paragraph 4(a), and the reference to that paragraph in Section II, paragraph 4(b).

Decision No. 10182-(92/132)
November 3, 1992

J. Structural Adjustment Facility, Enhanced Structural Adjustment Facility, and Enhanced Structural Adjustment Facility Trust—Review of Operation

Pursuant to Decision No. 9808-(91/114) SAF/ESAF,[28] adopted September 4, 1991, the Fund has reviewed the operation of the Structural Adjustment Facility, of the Enhanced Structural Adjustment Facility, and of the Enhanced Structural Adjustment Facility Trust. The operation of these facilities and of the

[23] Ibid., page 232.
[24] Ibid., pages 242–43
[25] Ibid., pages 254–56.

[26] See item (b), above.
[27] See *Selected Decisions*, Seventeenth Issue, pages 71–75.
[28] Ibid., page 288.

Enhanced Structural Adjustment Facility Trust shall be further reviewed not later than July 10, 1993.

Decision No. 10089-(92/94) SAF/ESAF
July 23, 1992

K. Structural Adjustment Facility

(a) Review of Potential Access

Pursuant to paragraph 4(1) of the Regulations for the Administration of the Structural Adjustment Facility within the Special Disbursement Account (Annex to Decision No. 8238-(86/56) SAF,[29] as amended), the Fund determines that the potential access of each eligible member to the resources of the facility established by Decision No. 8240-(86/56) SAF,[30] adopted March 26, 1986, as amended, continues to be adequate. The potential access under the facility shall be further reviewed before the increase in quotas under the Ninth General Review becomes effective in accordance with paragraph 3 of Board of Governors Resolution No. 45-2, adopted effective June 28, 1990, and in any event not later than July 10, 1993.

Decision No. 10090-(92/94) SAF
July 23, 1992

(b) Amendment to Regulations

Paragraph 14 of the Regulations for the Administration of the Structural Adjustment Facility annexed to Decision No. 8238-(86/56) SAF,[29] adopted March 26, 1986, as amended, shall be further amended as follows:

(i) The second sentence of subparagraph (1) shall be substituted by the following:

> They shall remain available for disbursements until the expiration of any commitment under the Enhanced Structural Adjustment Facility.

(ii) Subparagraph (5) shall become subparagraph (6) and the following new subparagraph (5) shall be added:

> (5) If a three-year commitment to an eligible member has expired with undrawn amounts, the Fund may approve a new commitment for that member, subject to these Regulations, provided that the member submits a three-year macroeconomic and structural adjustment program and that the amount of resources that could be made available under the new commitment shall not exceed the undrawn amounts under the expired commitment. The new commitment may be made under a one-year or a two-year arrangement, as the case may be, with annual access to be determined on the basis of the strength of the member's program and its balance of payments need.

Decision No. 10093-(92/94) SAF
July 23, 1992

(c) Access Limits

Upon the fulfillment of the requirement for effectiveness of increases in quotas under the Ninth General Review of Quotas specified by paragraph 3 of the Resolution of the Board of Governors No. 45-2, the percentages of quota referred to in paragraph 2 of Decision No. 8240-(86/56) SAF,[30] adopted March 26, 1986, as amended, on access under the structural adjustment facility, shall be changed as follows:

—70 percent shall be changed to 50 percent;
—20 percent shall be changed to 15 percent; and
—30 percent shall be changed to 20 percent,

provided that, notwithstanding paragraph 4(3) of Decision No. 8238-(86/56) SAF,[29] adopted March 26, 1986, as amended, the SDR amount under three-year commitments in effect at the time this Decision becomes effective shall not be reduced as a consequence of such changes.

Decision No. 10184-(92/132) SAF
November 3, 1992

(d) Use of Resources of Special Disbursement Account—Regulations for Administration—Amendment

The following sentence shall be added at the end of paragraph 7, subparagraph (1) of the Regulations on the Structural Adjustment Facility annexed to Decision No. 8238-(86/56) SAF,[29] as amended:

> Effective May 1, 1993, such additional interest shall not be levied on overdue obligations of a member that is overdue for six months or more in meeting any financial obligation to the Fund subject to additional interest under this paragraph.

Decision No. 10353-(93/49) SAF
April 9, 1993

L. Enhanced Structural Adjustment Facility—Access Limits

Upon the fulfillment of the requirement for effectiveness of increases in quotas under the Ninth General Review of Quotas specified by paragraph 3 of the Resolution of the Board of Governors No. 45-2, the percentages of quota referred to in paragraphs 1 and 2 of Decision No. 8845-(88/61) ESAF,[31] adopted April 20, 1988, as amended, on access under the enhanced structural adjustment facility, shall be as follows:

—250 percent shall be changed to 190 percent, and
—350 percent shall be changed to 255 percent.

Decision No. 10185-(92/132) ESAF
November 3, 1992

M. Enhanced Structural Adjustment Facility Trust

(a) Review of Access Limits

Pursuant to Decision No. 9810-(91/114) ESAF,[32] adopted September 4, 1991, the Fund as Trustee has reviewed the maximum limit and the exceptional maximum limit on access to the resources of the Enhanced Structural Adjustment Facility Trust established by Decision No. 8845-(88/61) ESAF,[33] adopted

[29]Ibid., pages 266–72.
[30]Ibid., pages 273–75.
[31]Ibid., pages 48–49.
[32]Ibid., page 50.
[33]Ibid., pages 48–49.

April 20, 1988. These limits shall be further reviewed before the increase in quotas under the Ninth General Review becomes effective in accordance with paragraph 3 of Board of Governors Resolution No. 45-2, adopted effective June 28, 1990, and in any event not later than July 10, 1993.

Decision No. 10091-(92/94) ESAF
July 23, 1992

(b) Instrument—Amendment

The Instrument to Establish the Enhanced Structural Adjustment Facility Trust annexed to Decision No. 8759-(87/176) ESAF,[34] adopted December 18, 1987, as amended, shall be further amended as follows:

(i) In Section II, paragraph 1(d), "1993" shall be substituted for "1992," to read as follows:

> (d) Commitments under three-year arrangements may be made during the period from January 1, 1988 to November 30, 1993.

(ii) A new subparagraph shall be added to Section II, paragraph 1, as follows:

> (f) The provisions of (c) and (d) above on three-year arrangements shall also apply to new commitments under paragraph 14(5) of the Regulations for the Administration of the Structural Adjustment Facility.

Decision No. 10092-(92/94) ESAF
July 23, 1992

A subparagraph (e) shall be added to Section V, paragraph 1 of the Instrument to Establish the Enhanced Structural Adjustment Facility Trust annexed to Decision No. 8759-(87/176) ESAF,[34] adopted December 18, 1987, as amended, to read as follows:

> (e) transfers by the Fund from the Special Disbursement Account in accordance with Decision No. 10286-(93/23) ESAF, adopted February 22, 1993.

As a consequence, "and" shall be moved from the end of subparagraph (c) to the end of subparagraph (d).

Decision No. 10287-(93/23) ESAF
February 22, 1993

N. Systemic Transformation Facility

1. (a) Until December 31, 1994, the Fund will be prepared to provide financial assistance in accordance with the terms of this Decision to members that are experiencing balance of payments difficulties as a result of severe disruptions in their traditional trade and payment arrangements that are manifested by (i) a sharp fall of total export receipts due to a shift from significant reliance on trading at nonmarket prices to multilateral, market-based trade, (ii) a substantial and permanent increase in net import costs, due to a shift from significant reliance on trading at nonmarket prices toward world market pricing, particularly for energy products, or (iii) a combination of both.

(b) For purposes of this Decision, disruptions in a member's trade and payments arrangements shall be deemed to be "severe" when they are estimated to be at least equivalent to 50 percent of quota.

2. Financing under this Decision for the balance of payments difficulties stemming from the disruptions described in paragraph 1 above shall not exceed 50 percent of the member's quota and shall be provided in two purchases. Each purchase shall be equal to 50 percent of the member's access as determined under this Decision.

3. (a) A member may expect that its request for a first purchase under this Decision will be met immediately, if the Fund is satisfied that the member will cooperate with the Fund in an effort to find appropriate solutions to its balance of payments difficulties, based on:

(i) a written statement submitted by the member
- —describing the policies and measures that the member intends to pursue for the next 12 months, including, as appropriate, the steps taken or to be taken to put in place the basic institutions of economic management in a market-oriented system;
- —stating the member's intention to reach understandings with the Fund as soon as possible on a comprehensive adjustment program that could be supported by a Fund arrangement; and
- —describing a financial program, including quarterly targets for relevant macroeconomic indicators, for the next 12 months, if such a program can reasonably be elaborated; and

(ii) such prior actions, if any, as the Fund considers appropriate.

(b) A member shall be deemed to fulfill the condition of willingness to cooperate set out in subparagraph (a) above with respect to a request for a first purchase, if a Fund arrangement is approved or a program review under a Fund arrangement is completed for the member while the request for the first purchase is under consideration by the Fund.

4. (a) A member may expect that its request for a second purchase under this Decision, which would normally be made about 6 months, but in any event not later than 12 months, after the date of the first purchase, will be met when the Fund is satisfied that the member continues to cooperate with the Fund in an effort to find appropriate solutions to its balance of payments difficulties, based on:

(i) a finding by the Fund that there has been satisfactory progress (1) toward reaching understandings between the member and the Fund on a comprehensive adjustment program that could be supported by a Fund arrangement, taking into account the policies and measures carried out by the member since the first purchase, and (2) in mobilizing the external financing necessary to support the policies being

[34] Ibid., pages 26–48.

implemented with the support of the Fund under this Decision;

(ii) a written statement submitted by the member describing or updating the financial program, including quarterly targets of relevant macroeconomic indicators, for the subsequent two quarters; and

(iii) such prior actions, if any, as the Fund considers appropriate.

(b) A member shall be deemed to fulfill the condition of continuing cooperation set out in subparagraph (a) above with respect to a request for a second purchase, and may make such purchase earlier than specified in subparagraph (a) above, if a Fund arrangement is approved or a program review under a Fund arrangement is completed for the member not less than two months after the date of the first purchase and while the request for the second purchase is under consideration by the Fund.

5. A member that has a Fund arrangement shall, as a condition for making a purchase under this Decision, reach understandings with the Fund on appropriate modifications of the terms and conditions of the arrangement, including the amount of the arrangement.

6. Purchases under this Decision and holdings resulting from such purchases shall be excluded for the purposes of the definition of "reserve tranche purchase" pursuant to Article XXX(*c*).

7. Except for the purpose of determining the level of conditionality applied to purchases in the credit tranches, the Fund's holdings of a member's currency resulting from purchases under this Decision shall be considered separate from the Fund's holdings of the same currency resulting from purchases made under any other policy on the use of the Fund's general resources. In cases of concurrent requests for a purchase in the credit tranches and for a purchase under this Decision, the purchase under this Decision shall be deemed to be made first.

8. In order to carry out the purposes of this Decision, the Fund will be prepared to grant a waiver of the limitation of 200 percent of quota in Article V, Section 3(*b*)(iii), whenever necessary to permit purchases under this Decision or to permit other purchases that would raise the Fund's holdings of the purchasing member's currency above that limitation because of purchases outstanding under this Decision.

9. Wherever used in this Decision, the expression "Fund arrangement" will mean an upper credit tranche stand-by or extended arrangement or an arrangement under the enhanced structural adjustment facility.

10. In providing financing pursuant to this Decision, the Fund, as under any other policies of the Fund, shall pay due attention to the member's capacity to service its financial obligations to the Fund, and, having regard to the outstanding financial obligations of the member to the Fund and to assurances received from creditors and donors, may reduce the amount of financing accordingly, notwithstanding any other provision of this Decision.

11. Notwithstanding paragraph 1, a second purchase under paragraph 4 may be made by a member after December 31, 1994, but not later than December 31, 1995, provided that the member has made the first purchase under paragraph 3 before December 31, 1994.

12. Pursuant to Article V, Section 7(*d*), repurchases in respect of an outstanding purchase under this Decision shall be made in equal semiannual installments during the period beginning four and one-half years and ending ten years after the purchase.

13. Rule I-6(4) shall be amended by inserting the following new subparagraph (viii):

> or (viii) under the Systemic Transformation Facility (Executive Board Decision No. 10348-(93/61) STF, adopted April 23, 1993).

Decision No. 10348-(93/61) STF
April 23, 1993

O. Increases in Quotas of Members

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

1. The Executive Board, considering that:

—it is a matter of great regret that some member countries have not yet consented to the quota increase under the Ninth Review or accepted the Third Amendment;

—it appears that both the quota increase and the Third Amendment will not become effective before the end of September 1992;

—early ratification of the general increase in members' quotas under the Ninth Review is imperative;

—the Fund's liquidity position is projected to decline rapidly during 1992–93, which increases the urgency of the quota increase coming into effect as early as possible,

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

2. The Executive Board decides that Decision No. 9546-(90/145)[35] on the substitution of ordinary for borrowed resources in financing purchases made under arrangements approved under the Policy on Enlarged Access shall continue to apply to arrangements approved not later than the date on which the requirement for the effectiveness of increases in quotas under the Ninth General Review of Quotas specified in paragraph 3 of the Resolution of the Board of Governors No. 45-2 has been fulfilled, or November 30, 1992, whichever is earlier.

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

Decision No. 10147-(92/120)
September 28, 1992

[35]Ibid., pages 88–89.

(b) Effectiveness of Increases in Quotas of Members Under Ninth General Review

1. The Executive Board determines that members having 70 percent of the total of quotas on May 30, 1990 have consented to the increases in their quotas under the Ninth General Review and notes that the effective date of the Third Amendment will be November 11, 1992.

2. The Secretary is authorized and directed to dispatch to members, the Federated States of Micronesia, and Tajikistan a communication on November 11, 1992, the text of which is set out in [the] Attachment.

Decision No. 10189-(92/134)
November 11, 1992

Attachment

The International Monetary Fund has determined that members having 70 percent of the total of Fund quotas as of May 30, 1990 have consented to increases in their quotas under the Ninth General Review of Quotas and, as you have been notified, the Third Amendment entered into force for all members today, November 11, 1992. This is to advise you, therefore, that these requirements of the Ninth General Review of Quotas under Board of Governors Resolution No. 45-2 have been met. Your attention is drawn to the following points of timing and procedure.

First, members that have not as yet consented to their quota increases may still consent but their consent must be received in the Fund not later than 6:00 p.m., Washington time, on November 30, 1992. The Executive Board may extend this period for consent.

Second, each member that has already consented to the quota increase as of today must pay to the Fund this increase within 30 days after today, that is, by December 11, 1992. Members that consent later than today must pay the increase within 30 days after the date on which the Fund is notified of their consent. The Executive Board may also extend the payment period.

Third, the consent and payment periods outlined above are also applicable to members and prospective members for which no increases in quotas were proposed under Resolution No. 45-2 by virtue of the fact that they were not members on May 30, 1990. The membership resolutions adopted by the Fund for these countries enable them to consent to an increase in their quotas and provide that the consent and payment procedures for these increases will be the same as those for members under the Ninth General Review.

Fourth, a member with overdue repurchases, charges or assessments to the General Resources Account may not consent to or pay for the increase in its quota until it becomes current in respect of these obligations.

The Treasurer's Department will continue to be in touch with the fiscal agencies of members regarding the payments for these quota increases.

Van Houtven
Secretary
Interfund

(c) Period for Consent to and Payment for Increases in Quotas Under Ninth General Review—Extension

1. Pursuant to paragraph 4 of the Resolution of the Board of Governors No. 45-2, "Increases in Quotas of Members—Ninth General Review," the Executive Board decides that notices in accordance with paragraph 2 of that Resolution must be received in the Fund before 6:00 p.m., Washington time, on May 31, 1993.

2. Pursuant to paragraph 5 of Resolution No. 45-2, the Executive Board decides that each member shall pay to the Fund the increase in its quota within 75 days after the later of (a) the date on which it notifies the Fund of its consent or (b) November 11, 1992.

Decision No. 10207-(92/142)
November 30, 1992

1. Pursuant to paragraph 4 of the Resolution of the Board of Governors No. 45-2, "Increases in Quotas of Members—Ninth General Review," the Executive Board decides that notices in accordance with paragraph 2 of that Resolution must be received in the Fund before 6:00 p.m., Washington time, on June 30, 1993.

2. Pursuant to paragraph 5 of Resolution 45-2, the Executive Board decides that each member shall pay to the Fund the increase in its quota under the Ninth General Review within 231 days after the later of (a) the date on which it notifies the Fund of its consent or (b) November 11, 1992.

Decision No. 10381-(93/77)
May 28, 1993

1. Pursuant to paragraph 4 of the Resolution of the Board of Governors No. 45-2, "Increases in Quotas of Members—Ninth General Review," the Executive Board decides that notices in accordance with paragraph 2 of that Resolution must be received in the Fund before 6:00 p.m., Washington time, on December 31, 1993.

2. Pursuant to paragraph 5 of Board of Governors Resolution No. 45-2, the Executive Board decides that each member shall pay to the Fund the increase in its quota under the Ninth General Review within 415 days after the later of (a) the date on which it notifies the Fund of its consent or (b) November 11, 1992.

Decision No. 10402-(93/90)
June 25, 1993

(d) Period for Payment for Increases in Quotas Under Ninth General Review—Extension

Pursuant to paragraph 5 of the Board of Governors Resolution No. 45-2, the Executive Board decides that each member shall pay to the Fund the increase in its quota under the Ninth Review within 120 days after the later of (a) the date on which it notifies the Fund of its consent or (b) November 11, 1992.

Decision No. 10272-(93/11)
January 22, 1993

Pursuant to paragraph 5 of the Board of Governors Resolution No. 45-2, the Executive Board decides that each member shall pay to the Fund the increase in its quota under the Ninth Review within 201 days after the later of (a) the date on which it notifies the Fund of its consent or (b) November 11, 1992.

Decision No. 10301-(93/31)
March 9, 1993

(e) Tenth General Review—Report to Board of Governors and Proposed Resolution

Article III, Section 2(*a*) of the Articles of Agreement provides that "the Board of Governors shall at intervals of not more than five years conduct a general review, and if it deems it appropriate propose an adjustment, of the quotas of the members." The five-year period for the Tenth Review will end on March 31, 1993. The Executive Board has established a Committee of the Whole in accordance with Rule D-3. The Committee has not yet been in a position to undertake a substantive review of the issues relating to the Tenth Review, including a review of the quota formulas, as called for in its report to the Board of Governors on the Ninth Review. As a consequence, the Executive Board is not in a position to make recommendations in time for the Board of Governors to adopt a resolution completing the Tenth General Review by March 31, 1993. Therefore, the Executive Board proposes that the Board of Governors decide to continue its review under Article III, Section 2(*a*), to request the Executive Board to complete its work on the matter and to submit a report to the Board of Governors, together with appropriate proposals, not later than December 31, 1994.

In view of the foregoing considerations, it is recommended that the Board of Governors adopt the resolution set forth in the attachment to this report.

Attachment

Draft Resolution

RESOLVED

That the Board of Governors, having noted the report of the Executive Board entitled Increases in Quotas of Members—Tenth General Review, hereby resolves to continue its review under Article III, Section 2(*a*) and requests the Executive Board to complete its work on this matter and to submit a report, together with appropriate proposals, to the Board of Governors not later than December 31, 1994.

Board of Governors Resolution No. 48-3
April 14, 1993

P. Third Amendment of Articles of Agreement—Entry into Force

1. The proposed Third Amendment approved by Resolution No. 45-3 of the Board of Governors, adopted June 28, 1990, has been accepted by three fifths of the members having eighty-five percent of the total voting power and, in accordance with Resolution No. 45-3 of the Board of Governors, will enter into force as of the date of the formal communication certifying such acceptance.

2. The Secretary is authorized and directed by the Executive Board to send on behalf of the Fund on November 11, 1992 the formal communication, set out in Attachment A to [the staff paper], to all members, to the Federated States of Micronesia, and to Tajikistan, certifying that the required acceptances have been received and that, in accordance with Resolution No. 45-3 of the Board of Governors, the Third Amendment entered into force for all members on November 11, 1992, the date of the communication.

3. The Secretary is authorized and directed to send to the Secretary of State of the United States the communication set out in Attachment B to [the staff paper], notifying the Government of the United States of the entry into force of the Third Amendment and requesting the Government of the United States to register the Third Amendment with the Secretary-General of the United Nations.

Decision No. 10188-(92/134)
November 11, 1992

Q. Limitation, Ineligibility, and Suspension of Voting Rights

(a) Amendment of K-Rules

1. The heading of the K-Rules shall be amended to read as follows:

Limitation, Ineligibility, and Suspension of Voting Rights.

2. A new Rule K-6 shall be inserted as follows:

K-6. Before any member's voting rights are suspended pursuant to Article XXVI, Section 2(*b*), the matter shall be considered by the Executive Board, which shall inform the member in reasonable time of the complaint against it and allow the member an adequate opportunity for stating its case both orally and in writing.

3. A new Rule K-7 shall be inserted as follows:

K-7. When a member, whose voting rights have been suspended, requests the Executive Board to terminate the suspension and the Executive Board decides not to terminate such suspension, a written report shall be presented to the member stating what further action is required before such suspension will be terminated.

Decision No. 10302-(93/32)
March 10, 1993

(b) Publicity Upon Suspension and Termination of Suspension

The Fund shall issue a press release upon its decision to suspend the voting rights of a member and thereafter upon termination of suspension, and shall also include the information contained in such press releases, where pertinent, in the Annual Report for the year concerned.

Decision No. 10305-(93/32)
March 10, 1993

(c) Amendment of By-Laws and Board of Governors Resolution No. 29-8—Report to Board of Governors and Proposed Resolution

For the implementation of the Third Amendment of the Articles of Agreement of the International Monetary Fund on the suspension of voting and related rights, which entered into force on November 11, 1992, the Executive Board of the Fund is hereby proposing that Sections 17 and 19 of the By-Laws and Board of Governors Resolution No. 29-8 be amended in accordance with the attached draft Resolution.

1. Amendment of Section 17 of the By-Laws

Pursuant to Schedule L, paragraph 3(*c*), in the case of suspension of a member's voting rights, the "Executive Director appointed or elected by the member, or in whose election the member has participated, shall cease to hold office, unless such Executive Director was entitled to cast the number of votes allotted to other members whose voting rights have not been suspended. In the latter case: (i) if more than ninety days remain before the next regular election of Executive Directors, another Executive Director shall be elected for the remainder of the term by such other members. . ." Accordingly, it is proposed to amend Section 17 of the By-Laws in order to provide that, in the case of a by-election in accordance with Schedule L, a member whose voting rights have been suspended will not participate in the by-election.

2. Amendment of Section 19 of the By-Laws

Paragraph 4 of Schedule L provides that the "member [whose voting rights have been suspended] shall be entitled to send a representative to attend any meeting of the Board of Governors, the Council, or the Executive Board, but not any meeting of their committees, when a request made by, or a matter particularly affecting, the member is under consideration." Section 19 of the By-Laws regulates the procedure for the representation of members not entitled to appoint an Executive Director at meetings of the Executive Board. It is proposed to extend this provision to the representation of members whose voting rights have been suspended at meetings of the Board of Governors and the Executive Board.

3. Amendment of Resolution No. 29-8

The guiding principle in Resolution No. 29-8 of the Board of Governors establishing the Interim Committee is that the constituencies in the Interim Committee reflect those in the Executive Board. Since the suspension of a member's voting rights will affect the composition of the Executive Board, it is proposed that the Resolution be amended so that the composition of the Interim Committee continues to reflect the composition of the Executive Board. It is proposed to add a subparagraph (e) to paragraph 1 of the Resolution stating that a member whose voting rights have been suspended may no longer appoint, or participate in the appointment of, a member of the Committee and his associates, whether that member is a member that appoints, elects, or participates in the election of, an Executive Director. It is also proposed to amend the third sentence of paragraph 1(a) of Resolution No. 29-8 to make a specific reference to appointment by a single member "electing" an Executive Director; this would bring the Resolution in line with the practice of the Fund and the language used in Schedule L of the Articles.

Moreover, to maintain the parallel between constituencies in the Executive Board and the Committee, it is proposed to extend the provisions of Schedule L, paragraph 3(*c*) on the status of Executive Directors to members of the Committee and their associates. Accordingly, if a member of the Committee and his associates are appointed by a member whose voting rights have been suspended, this appointment shall be terminated. If a member of the Committee and his associates have been appointed by a group of members that includes members whose voting rights have not been suspended and among which a by-election has to be organized to fill a vacancy in the Executive Board, these other members shall make new appointments to the Interim Committee, pending which the previously appointed member of the Committee and his associates shall continue to serve for a maximum period from the date of suspension. That period would be the same as the period envisaged for an Executive Director in a similar situation, i.e., 30 days.

With respect to termination of suspension, no amendment of the Resolution is needed to maintain the parallel between constituencies in the Executive Board and the Interim Committee. A member that appoints an Executive Director would immediately regain its right to appoint a member of the Committee and his associates. In all other cases, the member would automatically or could by agreement join a group of members that elected an Executive Director, but, since there would be no new election of an Executive Director in this case, the restoration of the member's voting rights would have no effect on the appointments made by the group of members to the Interim Committee. However, it would be open to the group to make new appointments to the Committee; in that case, the member whose voting rights had previously been suspended would participate in the appointment.

With respect to representation at meetings of the Interim Committee, paragraph 2 of Resolution No. 29-8 provides that a "member of the Fund not entitled to appoint a member of the Committee may send a representative to participate in any meeting of the Committee when a request made by, or a matter particularly affecting, that member is under consideration." In the absence of an amendment, this provision will apply to a member whose voting rights have been suspended, and thereby provide an entitlement to send a representative to these meetings in the circumstances described in the Resolution. Since the Board of Governors may determine attendance at meetings of its committees, it may decide either to retain or to amend the existing provision. In view of the importance of the role of the Interim Committee in the institutional structure of the Fund and considering in particular that attendance at a meeting of the Interim Committee may be the last opportunity for a member whose voting rights have been suspended to present its views before a procedure for compulsory withdrawal is initiated, it is proposed not to amend paragraph 2 of the Resolution, thereby maintaining the existing entitlement.

Attachment

Draft Resolution

Amendment of the By-Laws of the International Monetary Fund and Board of Governors Resolution No. 29-8

RESOLVED:

(a) That a new paragraph be added as a second paragraph in Section 17 of the By-Laws as follows:

> If a member's voting rights have been suspended, that member shall not participate in the election of the new Executive Director.

(b) That the title of Section 19 of the By-Laws be amended to read as follows:

> Representation of Members at Meetings of Fund Organs

(c) That the following heading be inserted before paragraph (a) of Section 19:

> 1. Representation of Members Not Entitled to Appoint an Executive Director

(d) That the following provision be added at the end of Section 19, after paragraph (c):

> 2. Representation of Members Whose Voting Rights Have Been Suspended
>
> The provisions of subsection 1 above shall apply, *mutatis mutandis*, to the representation of members whose voting rights have been suspended pursuant to Article XXVI, Section 2(*b*), at meetings of the Board of Governors and the Executive Board.

(e) That Resolution No. 29-8 on the Establishment of an Interim Committee of the Board of Governors on the International Monetary System, be amended as follows:

(i) the third sentence of paragraph 1(a) shall be amended as follows:

> Each member of the Fund that appoints an Executive Director and each member or group of members of the Fund that elected an executive director on or after the date on which the last regular election took place shall appoint: . . .;

(ii) a new subparagraph (e) shall be added at the end of paragraph 1 as follows:

> (e) A member of the Fund whose voting rights are suspended pursuant to Article XXVI, Section 2(*b*) shall not appoint, or participate in the appointment of, a member of the Committee and his associates. When the voting rights of a member are suspended, the rules in Schedule L, paragraph 3(*c*) on the termination of office and replacement of Executive Directors shall apply to the member of the Committee and associates appointed by the member or in whose appointment the member has participated.

Board of Governors Resolution No. 48-2
April 12, 1993

(d) Amendment of Board of Governors Resolution No. 29-9—Report to Board of Governors and Proposed Resolution

For the implementation of the Third Amendment of the Articles of Agreement of the International Monetary Fund on the suspension of voting and certain related rights, which entered into force on November 11, 1992, the Executive Board of the Fund is hereby proposing that Board of Governors Resolution No. 29-9 establishing the "Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries" (the "Development Committee") be amended in accordance with the attached draft Resolution. Since the Development Committee was established by parallel Resolutions of the Fund's and the Bank's Boards of Governors, the same amendments are being proposed to the Board of Governors of the Bank.

The guiding principle in Resolution No. 29-9 of the Board of Governors is that the constituencies in the Development Committee—for the periods during which appointments are made by the members of the Fund—reflect those in the Executive Board of the Fund. Since the suspension of a member's voting rights will affect the composition of the Executive Board, it is proposed that the Resolution be amended so that the composition of the Development Committee during these periods continues to reflect the composition of the Executive Board of the Fund.

It is proposed to add a subparagraph (g) to paragraph 1 of the Resolution stating that a member of the Fund whose voting rights have been suspended may no longer appoint, or participate in the appointment of, a member of the Committee, his alternate and his associates, whether that member is a member that appoints, elects, or participates in the election of, an Executive Director. It is also proposed to amend the first sentence of paragraph 1(d) of Resolution No. 29-9 to make a specific reference to appointment by a single member electing an Executive Director; this would bring the Resolution in line with the practice of the Fund and the language used in Schedule L of the Articles of Agreement of the Fund.

Moreover, to maintain the parallel between constituencies in the Executive Board of the Fund and the Committee, it is proposed to extend the provisions of Schedule L, paragraph 3(*c*) on the status of Executive Directors to members of the Committee, their alternates and associates. Accordingly, if a member of the Committee, his alternate and associates are appointed by the member of the Fund whose voting rights have been suspended, this appointment shall be terminated. If a member of the Committee, his alternate and associates have been appointed by a group of members of the Fund that includes members whose voting rights have not been suspended and among which a by-election has to be organized to fill a vacancy in the Executive

Board, these other members shall make new appointments to the Development Committee, pending which the previously appointed member of the Committee, his alternate and associates shall continue to serve for a maximum period from the date of suspension. That period would be the same as the period envisaged for an Executive Director in a similar situation, i.e., 30 days.

With respect to termination of suspension, no amendment of the Resolution is needed to maintain the parallel between constituencies in the Executive Board of the Fund and the Development Committee. A member of the Fund that appoints an Executive Director would immediately regain its right to appoint a member of the Development Committee, his alternate and associates. In all other cases, the member would automatically or could by agreement join a group of members of the Fund that elected the Executive Director, but since there is no new election of an Executive Director in this case, the restoration of the member's voting rights would have no effect on appointments already made by the group of members of the Fund to the Development Committee. However, it would be open to the group to make new appointments to the Committee; in that case, the member whose voting rights had previously been suspended would participate in the appointment.

It is proposed to leave it to the Committee to decide, on a case-by-case basis, whether a member of the Fund whose voting rights have been suspended should be invited to send a representative to participate in meetings of the Committee.

The Executive Directors of the Bank have also endorsed amendments to Resolution No. 294 of the Board of Governors of the Bank on the establishment of the Development Committee reflecting the amendments proposed above with respect to periods when appointments are made by the members of the Fund, and establishing the same principle for periods in which appointments are made by the members of the Bank—that the constituencies in the Committee should reflect the constituencies in the Board of Executive Directors in the event that a Bank member is suspended—taking into account the provision of the Bank's Articles of Agreement on the suspension of members. The amendment of the Resolutions concerning periods in which appointments are made by the members of the Bank is set out in paragraph (b) of the attached draft Resolution.

Attachment

Draft Resolution

Amendment of Board of Governors Resolution No. 29-9

RESOLVED:

1. That Resolution No. 29-9 on the Establishment of Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (the "Development Committee"), be amended by

(a) inserting the words "or elects" after the word "appoints" in the second line of paragraph (1)(d);

(b) adding the following new subparagraphs (f) and (g) at the end of paragraph 1 as follows:

> (f) During the periods when appointments are made by members of the Bank, a member of the Bank whose membership has been suspended pursuant to Article VI, Section 2 of the Articles of Agreement of the Bank shall not appoint or participate in the appointment of a member of the Committee, his alternate and associates. When the membership of a member of the Bank is suspended, and when a suspended member is restored to good standing, the consequences on the Executive Director of the Bank appointed or elected by such member, or in whose election such member participated, shall apply to the member of the Committee, his alternate and associates appointed by that member of the Bank, or in whose appointment such member participated.
>
> (g) During the periods when appointments are made by members of the Fund, a member of the Fund whose voting rights are suspended pursuant to Article XXVI, Section 2(*b*) of the Articles of Agreement of the Fund shall not appoint, or participate in the appointment of, a member of the Committee, his alternate and associates. When the voting rights of a member of the Fund are suspended, the rules in Schedule L, paragraph 3(*c*) of the Articles of Agreement of the Fund on the termination of office and replacement of Executive Directors shall apply to the member of the Committee, his alternate and associates appointed by that member of the Fund, or in whose appointment such member participated.

2. The amendments of Resolution No. 29-9 set out in paragraph 1 above shall come into force on the date this Resolution is adopted or the date amendments in identical terms of Resolution No. 294 of the Board of Governors of the Bank are adopted, whichever is later.

Board of Governors Resolution No. 48-4
April 23, 1993

Press Communiqués of the Interim Committee and the Development Committee

Interim Committee of the Board of Governors on the International Monetary System

PRESS COMMUNIQUÉS

Thirty-Ninth Meeting, Washington, September 20–21, 1992

1. The Interim Committee of the Board of Governors of the International Monetary Fund held its thirty-ninth meeting in Washington, D.C., on September 20–21, 1992 under the chairmanship of Mr. Carlos Solchaga, Minister of Economy and Finance of Spain. The Committee warmly welcomed the many countries that have recently become members of the Fund.

2. In industrial countries, recovery is under way, but it remains sluggish and uneven, unemployment is unacceptably high, and recent exchange market tensions have increased uncertainty. Inflation and interest rates have declined significantly in a number of countries. The Committee observed that the recent currency turmoil forcefully illustrates the importance of reinforced policy coordination, a firm implementation of the medium-term strategy, and continuing efforts toward economic convergence in Europe. The Committee welcomed the actions recently taken to reduce market tensions and noted the resolve of major industrial countries to cooperate closely and to take appropriate additional actions as needed to strengthen growth without rekindling inflation and to foster greater currency stability. Mindful of the international implications of their policy actions, key countries need to cooperate closely in implementing measures to bolster confidence and improve the balance between their fiscal and monetary policies, thereby facilitating a narrowing of interest rate differentials.

Against this background, the Committee reaffirmed the importance of policies aimed at ensuring that the recovery gathers pace in an environment conducive to stronger, sustainable, noninflationary growth into the medium term. Monetary and fiscal policies should aim at a lasting decline in long-term interest rates through a reduction in public sector borrowing and a further lowering of inflation expectations. Vigorous action must be taken to eliminate structural rigidities that impede employment and productivity growth. An early, successful conclusion of the Uruguay Round would be an invaluable contribution to this effort. Freer markets and a stable trading environment are essential to regenerating world economic growth, and to the success of the reform efforts of developing countries and economies in transition. It is a matter of concern that barriers to trade in industrial countries have increased since the commencement of the Uruguay Round negotiations.

3. The Committee welcomed the steady and successful implementation in many developing countries of sound macroeconomic policies and structural reforms. This has resulted in stronger growth, lower inflation, and increased per capita incomes, despite the weak international environment over the past year. This performance has been accompanied in a number of countries by a reversal of capital flight and substantial inflows of foreign investment. These countries' adjustment and reform efforts need to be sustained and emulated by others. The Committee called for prompt international assistance to alleviate the dire consequences of the severe drought in southern and eastern Africa.

4. The Committee praised the progress being made by the countries of Central and Eastern Europe in reforming their economies under Fund-supported programs. There has been progress against inflation and there is some evidence that the sharp contraction of output may be coming to an end. Improved performance is being led by an expanding private sector and growing exports. However, the prolonged weakness of activity in some countries underlines the need to carry through further reforms quickly. In fact, in all former centrally planned economies, firm actions are needed to reinforce budgetary and monetary discipline, hand in hand with an acceleration of structural reforms, institution building and privatization, and measures to foster increased domestic and foreign investment. Many of the states of the former Soviet Union have made major efforts to liberalize prices and prepare the framework for open market-oriented economies. The Committee welcomed the first Fund arrangements which have been negotiated with the Russian Federation and the Baltic countries. The task of building a wholly new economic system remains challenging, requiring both perseverance and external assistance, technical and financial. The availability of external financing will depend on the strength of the adjustment effort in each country. The Committee drew particular attention to the need for monetary reform and cooperation, whether in the context of the ruble area or of the establishment of new currencies. The setting up of efficient payments and settlements systems within and between the nations concerned should be a priority. More generally, the Committee called on these states to develop cooperation conducive to financial stability and free trade, consistent with the multilateral principles of their membership in the Bretton Woods institutions.

5. The Committee noted that the increasing number of strong programs of stabilization and reform in developing countries and in countries in transition to market economies renders the need for well-targeted international financial support particularly pressing. It invited member countries to support these efforts to the best of their ability.

6. The Committee welcomed the evidence of further gains under the debt strategy. A number of developing countries, however, have yet to secure decisive solutions to their debt problems. The Committee commended the Paris Club's provision of greater debt relief for low-income countries in the framework of strong adjustment programs, and its readiness to consider a reduction of the stock of debt after a suitable period of adjustment. The Committee also encouraged the Paris Club to recognize the

special situation of some highly indebted lower middle-income countries on a case-by-case basis. The Committee commended those countries that continued to service their debt, often under difficult circumstances.

7. The Committee welcomed the extension to November 1993 of the period for commitments under the Fund's enhanced structural adjustment facility (ESAF) and the Executive Board's intention to review the effectiveness of ESAF programs and examine the options and operational modalities of a possible successor facility. It urged that this work be completed in good time before November 1993.

8. The Committee expressed deep concern that the proposed Third Amendment of the Articles of Agreement and the quota increases under the Ninth General Review had not yet entered into effect, despite continued progress in the number of member countries' acceptances and consents. It strongly urged the members that have not yet completed their procedures to do so promptly, thus giving the Fund sufficient liquidity to continue to provide balance of payments financing in support of strong adjustment programs.

9. The Committee took note of the Executive Board's work on the role of the SDR in the provision of international liquidity and requested that the Board continue to keep the matter under review.

10. The Committee agreed to hold its next meeting in Washington, D.C., on April 30, 1993.

Annex: Interim Committee Attendance
September 20–21, 1992

Chairman

Carlos Solchaga, Minister of Economy and Finance, Spain

Managing Director

Michel Camdessus

Members or Alternates

Hamad Al-Sayari, Governor, Saudi Arabian Monetary Agency (Alternate for Mohammad Abalkhail, Minister of Finance and National Economy, Saudi Arabia)
Ahmed Humaid Al-Tayer, Minister of State for Finance and Industry, United Arab Emirates
Pedro Aspe, Secretary of Finance and Public Credit, Mexico
Piero Barucci, Minister of the Treasury, Italy
Nicholas F. Brady, Secretary of the Treasury, United States
Domingo Felipe Cavallo, Minister of Economy and Public Works, Argentina
John S. Dawkins, Treasurer, Australia
Tsutomu Hata, Minister of Finance, Japan
Abdelouahab Keramane, Governor, Banque d'Algérie
W. Kok, Deputy Prime Minister and Minister of Finance, Netherlands
Norman Lamont, Chancellor of the Exchequer, United Kingdom
CHEN Yuan, Deputy Governor, People's Bank of China (Alternate for LI Guixian, State Councillor and Governor of the People's Bank of China)
Jehoash Mayanja-Nkangi, Minister of Finance and Economic Planning, Uganda
Philippe Maystadt, Minister of Finance, Belgium
Donald Mazankowski, Deputy Prime Minister and Minister of Finance, Canada
Marcilio Marques Moreira, Minister of Economy, Finance and Planning, Brazil
NYEMBO Shabani, Governor, Banque du Zaïre
Michel Sapin, Minister of Economy and Finance, France
Jón Sigurdsson, Minister of Commerce and Industry, Iceland
Manmohan Singh, Minister of Finance, India
VIJIT Supinit, Governor, Bank of Thailand
Theo Waigel, Federal Minister of Finance, Germany

Observers

F. Abbate, Chief, Development Finance Programme, Resources for Development Programmes, UNCTAD
Henning Christophersen, Vice President, CEC
John Croome, Director, Regional and Preferential Trade and Trade and Finance Division, GATT
Alejandro Foxley, Chairman, Development Committee
Ji Chaozhu, Under-Secretary-General for Economic and Social Development, UN
Alexandre Lamfalussy, General Manager, BIS
Markus Lusser, Chairman of the Governing Board, Swiss National Bank
Jean-Claude Paye, Secretary-General, OECD
Lewis T. Preston, President, World Bank

Russian Federation

Aleksandr N. Shokhin, Deputy Chairman of the Government of the Russian Federation

Fortieth Meeting, Washington, April 30, 1993

1. The Interim Committee of the Board of Governors of the International Monetary Fund held its fortieth meeting in Washington, D.C., on April 30, 1993, under the chairmanship of Mr. Carlos Solchaga, Minister of Economy and Finance of Spain.

2. The Committee focused on the outlook for the world economy and on the serious challenges posed at this juncture by the weakness in aggregate economic performance. Recent events have highlighted the global dimension of the issues confronting an increasingly integrated world economy. In its deliberations, the Committee, which now embraces the International Monetary Fund's universal membership, emphasized its determination to address the current challenges and opportunities in a global,

cooperative framework. In this spirit, it has adopted the attached declaration on cooperation for sustained global expansion.

3. The Committee agreed to hold its next meeting in Washington, D.C., on September 26, 1993.

Attachment

Interim Committee Declaration on Cooperation for Sustained Global Expansion

1. With economic stagnation or decline in most of Europe, only tentative indications of an upturn in Japan, and quite gradual recovery in the United States, 1993 will be the third straight year of generally poor growth for the industrial countries. While the overall performance of the developing countries has been encouraging, a number of them still suffer from declining per capita incomes, and the process of transition to market economies is proving complex and requiring considerable perseverance and support. Nevertheless, there are now a number of positive developments which, if sustained in a coordinated and cooperative manner, have the potential of strengthening global economic performance in both the near and medium term. We are consequently of the view that it is timely to join forces in a *global cooperative effort* to bolster confidence and strengthen prospects for a durable, noninflationary world expansion. Member countries and the multilateral institutions are invited to strengthen their efforts in carrying out and supporting mutually reinforcing policies along the following lines.

2. From our common global perspective there is an immediate and urgent need for successfully *concluding the Uruguay Round.* This is crucial for increasing world prosperity. Persistent failure to complete the Round would not be a standstill, but could reverse the trend of trade liberalization which has been an important contributor to growth. Every effort will thus be made by all countries concerned to speed up negotiations to reach an agreement very soon. In the meantime, all member countries commit themselves to resist inward-looking policies.

3. The recent strong performance of many *developing countries* and their growing openness to international trade have positively contributed to alleviating the effects of global slack. It is essential that developing countries continue to carry forward with intensified adjustment and reform programs, thereby allowing them to reap the benefits of sound policies in terms of stronger growth, to devote more resources to human investment and poverty alleviation, and to contribute further to the global recovery. These efforts must be supported by the international community with financial and technical assistance, including debt relief as appropriate.

4. Continuing, decisive progress in the transformation of the *formerly centrally planned economies* is a key element of our cooperative growth effort. To this end, enhanced assistance, both financial and technical, is crucial for all countries in transition to strengthen their policymaking process, create the appropriate mechanisms for mutual economic cooperation, and implement the macroeconomic and reform programs needed for the establishment of market-based systems. Improved access to foreign markets will also be essential.

5. The central responsibility for strengthening growth prospects rests with the *industrial countries.* Cooperative actions being undertaken are strengthening confidence and will ensure against downside risks. We welcome the programs of fiscal consolidation announced in North America and in other industrial countries, which will improve national savings and investment and facilitate a reduction in interest rates; the additional economic package announced by the Japanese government which will strengthen domestic demand and contribute to reducing the large external imbalance; as well as the European growth initiative and the reduction of interest rates in Europe, which will constitute an important element of economic recovery. Conditions which should allow for a progressive further reduction of interest rates, without raising concerns of renewed inflation, are expected to continue to improve in the period ahead.

6. A broad-based sustainable recovery will provide room to pursue the fiscal consolidation required to increase domestic savings in those industrial countries facing large structural deficits. To that effect, these countries intend to firmly adhere to a *medium-term strategy of deficit reduction* which will have a major favorable impact on interest rates, private investment and job creation, as well as on the supply of savings needed for growth in the developing countries. *Structural measures* to improve the allocation of resources and the functioning of markets are equally important for achieving faster output growth. We recognize in particular that, in order to achieve a substantial and lasting reduction in the unacceptably high levels of unemployment, especially in Europe, bold measures will need to be taken to make labor markets more flexible.

7. Notwithstanding the improved performance of developing countries as a group, many low-income countries, particularly in Africa, still face difficult economic situations and a lengthy process of adjustment. The Fund is encouraged to continue with its efforts in helping to implement growth-oriented adjustment strategies and catalyze external financing through its *concessional facility for low-income members.* We thus invite the Executive Board to complete its work on a successor to the enhanced structural adjustment facility by the end of November 1993. We encourage the Board urgently to consider all the options for financing the successor facility.

8. We welcome the Fund's prompt response to the extraordinary circumstances being faced by a number of its members as a result of the widespread transition to market-based economic systems. The new *systemic transformation facility* will enable the Fund to play its essential role in promoting this historic transformation. We are confident that a number of members will qualify early for support, thereby paving the way for further support through the Fund's customary facilities.

9. We had an exchange of views on the question of an *allocation of SDRs* in present circumstances, and request the Executive Board to assess the long-term global need for a supplement to existing reserve assets, the potential economic and monetary effects of an allocation, and the future of the SDR as a reserve asset. We request that a report on this work be submitted to the Committee at its next meeting.

10. We all stand ready to play our individual part in the global cooperative effort for economic growth outlined in this declaration and will monitor the situation carefully to ensure a consolidation of the recovery. In this context, we will also strengthen our *collaboration with the Fund* as the central international monetary institution. To help us face the challenges of an ever more integrated global economy, the Fund's effective *surveillance* over members' exchange rate and macroeconomic policies becomes even more important. We support the steps agreed by the Executive Board to strengthen this surveillance, including regional developments, with a view to identifying and addressing in a timely manner problems that may give rise to tensions in the world economy and undesirable volatility in exchange rates.

Annex: Interim Committee Attendance
April 30, 1993

Chairman

Carlos Solchaga, Minister of Economy and Finance, Spain

Managing Director

Michel Camdessus

Members or Alternates

Mohammad Abalkhail, Minister of Finance and National Economy, Saudi Arabia
Edmond Alphandery, Minister of Economy, France
Sultan N. Al-Suwaidi, Governor, United Arab Emirates Central Bank (Alternate for Ahmed Humaid Al-Tayer, Minister of State for Finance and Industry, United Arab Emirates)
Piero Barucci, Minister of the Treasury, Italy
Lloyd M. Bentsen, Secretary of the Treasury, United States
Domingo Felipe Cavallo, Minister of Economy and Public Works, Argentina
John Dawkins, Treasurer, Australia
SOEGITO Sastromidjojo, Secretary General, Ministry of Finance, Indonesia (Alternate for J. Soedradjad Djiwandono, Governor, Bank of Indonesia)
Yoshiro Hayashi, Minister of Finance, Japan
Abdelouahab Keramane, Governor, Banque d'Algérie
W. Kok, Deputy Prime Minister and Minister of Finance, Netherlands
Ruth de Krivoy, President, Banco Central de Venezuela
Norman Lamont, Chancellor of the Exchequer, United Kingdom
CHEN Yuan, Deputy Governor, People's Bank of China (Alternate for LI Guixian, State Councillor and Governor of the People's Bank of China)
Jehoash Mayanja-Nkangi, Minister of Finance and Economic Planning, Uganda
Philippe Maystadt, Minister of Finance, Belgium
Donald Mazankowski, Deputy Prime Minister and Minister of Finance, Canada
Eliseu Resende, Minister of Finance, Brazil
Aleksandr N. Shokhin, Deputy Chairman of the Government of the Russian Federation
Jón Sigurdsson, Minister of Commerce and Industry, Iceland
Manmohan Singh, Minister of Finance, India
Otto Stich, Federal Councillor, Federal Department of Finance, Switzerland
Paul Toungui, Minister of Finance, Budget and Participations, Gabon
Theo Waigel, Federal Minister of Finance, Germany

Observers

Horst Bockelmann, Economic Adviser and Head of the Monetary and Economic Department, BIS
Henning Christophersen, Vice President, CEC
John Croome, Special Adviser, GATT
Kenneth K.S. Dadzie, Secretary-General, UNCTAD
Ricardo Hausmann, Chairman, Development Committee
Jean-Claude Milleron, Under-Secretary-General for Economic and Social Information and Policy Analysis, UN
Jean-Claude Paye, Secretary-General, OECD
Lewis T. Preston, President, World Bank

Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (Development Committee)

PRESS COMMUNIQUÉS

Forty-Fourth Meeting, Washington, September 21, 1992

1. The Development Committee held its forty-fourth meeting in Washington, D.C., on September 21, 1992, under the chairmanship of Mr. Alejandro Foxley, Minister of Finance of Chile.[1] After reviewing the world economic scene, this meeting concentrated on ways of increasing resources for development. The Committee welcomed the new members who have joined the Bank and the Fund since their last meeting.

Development Objectives

2. Ministers recalled their agreement at their meeting in Bangkok on the development objectives of the 1990s: the reduction of poverty and the achievement of sustainable growth, actions to protect the environment being essential to both objectives. They reviewed the resources necessary to reach these objectives, and the actions which would be necessary to increase their volume and effectiveness.

Domestic Resources

3. They noted that most developing countries[2] fund the major part of their investment from domestic savings, both public and private. They concluded therefore that the top priority is for developing countries wherever possible to increase the volume of these savings and the effectiveness of their use. This will require the adoption and maintenance of appropriate macroeconomic policies; reduction in wasteful and unproductive programs; and efficient financial and banking systems.

Trade

4. Ministers agreed that a much more open world trading system would be beneficial to all countries but is of the utmost importance to the developing countries. In the context of resource flows, developing countries need to increase earnings from trade, in order to finance imports, service debt, and promote sustainable domestic economic growth. Increased export opportunities will also make developing countries more attractive to investors. They therefore emphasized once again the need for rapid agreement on the outstanding issues in the Uruguay Round, noting that this would lead to a broader, more liberal and more stable trading system, and extend market access for many developing countries. They agreed that regional trade arrangements should emphasize trade creation rather than trade diversion, consistent with multilateral principles, and should ensure trade opportunities for developing countries.

[1]Mr. Lewis T. Preston, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, Mr. Ahmadu Abubakar, Minister of Finance of Nigeria and Chairman of the Group of Twenty-Four, and Mr. Peter Mountfield, Executive Secretary, participated in the meeting. Observers from a number of other international and regional organizations and from Switzerland also attended.

[2]In the rest of this communiqué the phrase "developing countries" includes economies in transition.

Foreign Investment

5. For most developing countries, earnings from trade must be supplemented by external resources. For a growing number of them, a large part of these resources is now provided by private foreign investors in the form of direct foreign investment. Ministers noted the recent increase in portfolio investment, while recognizing that its higher liquidity made its impact different from foreign direct investment. Ministers considered the measures necessary to attract more private flows and concluded that the measures that promote domestic investment are likely also to attract foreign investors and the return of flight capital. They concluded that the maintenance of macroeconomic stability and the creation of a climate favorable to enterprise are essential, both to attract more investment and to increase the number of countries receiving foreign flows.

Investment Guidelines

6. Additional measures may be needed to attract foreign investment. The creation and maintenance of a suitable legal framework can be an important part of this process. Ministers therefore reviewed with interest the Investment Guidelines which will shortly be published, together with an explanatory commentary, and calls them to the attention of member countries. These Guidelines have been prepared at the request of the Development Committee to promote fair and equitable international standards for the general treatment of all foreign direct investment in the absence of applicable treaties, and should be of particular value to developing countries. Ministers expect the Guidelines to serve as an important step in the progressive development of international practice in this area and hope that they will facilitate further developments through bilateral treaties and similar instruments. They also noted the related work being undertaken in other fora to develop principles for the conduct of foreign investors.

Commercial Bank and Market Lending

7. Ministers welcomed the increasing access of certain developing countries to the international financial markets, especially by those which are implementing sustainable economic reforms, and have entered into debt and debt-service agreements with the commercial banks. They considered that some increase in the volume of trade finance and project lending provided by the banks may occur, but noted that commercial bank lending to developing countries was unlikely to return to previous levels. They noted the active role taken by the Inter-American Development Bank and other regional banks in promoting effective investment reforms which are essential for nurturing a stable financial environment. They believed that the international financial institutions should continue to encourage the efficient mobilization of financial resources by promoting effective investment reforms, privatization, and financial sector reforms. Ministers noted the improved economic performance achieved by the developing countries following the implementation of debt and debt-service reduction and therefore encouraged the timely conclusion of negotiations between other countries and their commercial banks.

Increasing Nonconcessional Flows

8. Ministers agreed to review at their next meeting the prospects for increasing the flows of private resources, and improving the access of developing countries to global markets for loan and equity capital. Members agreed on the need to gather accurate and timely information on the stocks and flows of private capital to developing countries and to assess the implications of these developments. They asked the Bank and the Fund to prepare a joint paper for this purpose which would also include the role of the international financial institutions in promoting and catalyzing such flows and the extent of any remaining obstacles placed by developing and industrial countries to resource flows.

Debt

9. Ministers recognized that the efforts of many developing countries need to be supported by rescheduling and, in some cases, by debt and debt-service reduction measures, both public and private. Ministers welcomed the progress in the international debt strategy, including arrangements this year with Argentina, Bolivia, and Brazil among others. Such arrangements have now been reached with 12 countries and account for more than 90 percent of the commercial bank debt of the major debtor nations. They urged the Paris Club to recognize the special situation of some highly indebted lower-middle income countries on a case-by-case basis. Ministers also welcomed the enhanced debt relief extended to the poorest countries by the Paris Club, noting that the Paris Club has agreed to consider the stock of debt, under certain conditions, after a period of three to four years. They invited the Paris Club to maintain its continuing review of the debt strategy. They acknowledged the continued need of support for heavily indebted countries which by adopting strong adjustment policies have avoided rescheduling.

Bilateral Aid

10. Poorer developing countries will continue to require substantial concessional assistance for many years. A number of additional countries have recently become potential recipients of aid, while new requirements, especially in the environmental field, have added to the needs. The Committee noted that the World Bank and the IMF believe that an increased volume of external resources, to complement the efforts of the developing countries, will be crucial to meeting those needs. Ministers therefore invited bilateral donors to increase their assistance, particularly for countries that are sustaining sound policies, as circumstances permit, especially those whose aid programs are still below 0.7 percent of GNP, and welcomed the contribution of those whose aid is substantially above that level. They stressed the need for donors and recipients to emphasize the quality and effectiveness of aid, and for an increased proportion to be directed toward improving the living conditions of the poor, and to the poorest countries and those with a strong commitment to poverty reduction.

Multilateral Flows

11. Ministers recognized the need for multilateral action to complement that of bilateral donors. They noted the ongoing negotiations over the Tenth Replenishment of the International Development Association (IDA). They urged the IDA Deputies to make significant progress at their meeting in November 1992 so as to secure agreement by the end of the year on a substantial IDA-10 replenishment. Ministers also agreed that continuing consideration should be given to an Earth Increment for environmental purposes. They welcomed the extension to November 1993 of the period for commitments under the Fund's enhanced structural adjustment facility (ESAF) and the Executive Board's intention to review the effectiveness of ESAF programs and examine the options and operational modalities of a possible successor facility. They urged that this work be completed in good time before November 1993. They welcomed the Bank's assurance that the current capital base of the International Bank for Reconstruction and Development (IBRD) is sufficient to sustain and enhance the volume of lending to existing borrowing members, while providing substantial support for the economic reform and adjustment efforts of the countries of the former Soviet Union. Ministers agreed to review the effectiveness of the Bank's lending at a future meeting.

Environment

12. Ministers welcomed the wide-ranging consensus reached at the United Nations Conference on Environment and Development (UNCED). They recognized the ongoing financing needs associated with Agenda 21. They also noted that UNCED called for additional funding to be channeled through existing institutions, including the Global Environment Facility, which will be restructured on lines to be agreed by the participants. Ministers urged the World Bank to play a full part in carrying forward the results of UNCED in collaboration with other agencies in the UN

system and to the regional banks, and to report progress to the Committee at its meeting in September 1993.

Drought, Famine, and War

13. The Committee noted with great concern the problems of drought in Southern and Eastern Africa, the severe famine in Somalia, widespread flooding in the Indian subcontinent and the problems of several war-affected countries. They welcomed the coordinated international action now under way to alleviate suffering in many of these areas and called for the active cooperation of all governments and agencies concerned, both to overcome the immediate problems and to lay the foundations for future recovery and development.

Departure of Chairman

14. The Committee placed on record its special appreciation of the distinguished record of Mr. Alejandro Foxley during his two years as its Chairman.

Spring Meeting

15. The Committee agreed to meet again in Washington D.C., on May 1, 1993.

Forty-Fifth Meeting, Washington, September 24, 1992

At its forty-fifth meeting on September 24, 1992, in Washington, D.C., the Development Committee selected His Excellency Ricardo Hausmann, Minister of State and Head of CORDIPLAN of Venezuela, as Chairman.

Forty-Sixth Meeting, Washington, May 1, 1993

1. The Development Committee held its forty-sixth meeting in Washington, D.C., on May 1, 1993, under the chairmanship of Dr. Ricardo Hausmann of Venezuela.[1] The Committee recorded its deep regret at the violent death of President Ranasinghe Premadasa and sent its condolences to the Government and people of Sri Lanka.

2. The Committee devoted most of this meeting to an examination of ways of encouraging private capital flows, as part of its ongoing review of the transfer of resources to developing countries.[2] The Committee reaffirms its belief that a high level of investment in the private sector is important to sustainable economic growth in developing countries. It recognizes that the majority of this investment comes from these countries' domestic savings. Private foreign flows and official development assistance have a complementary but crucial role to play. Private foreign flows have been largely concentrated in a small number of countries. The challenge before the international community now is to enlarge this number as quickly as possible.

3. The Committee notes that host countries have the primary responsibility for creating an environment attractive to foreign investors. This will require a stable political climate and sound macroeconomic policies; a healthy, vigorous and competitive domestic private sector; a legal and institutional framework which encourages investment without discrimination; a liberal exchange regime; a flexible labor market; improved management capacity in the public sector; and provision of the necessary physical and human infrastructure. Prompt servicing of debt will reassure investors. Reduction of the debt overhang, where appropriate, for reforming countries, will also help. Because much investment in developing countries is in export industries, open world markets are essential. Once these measures are in place, which may take time in some countries, funds will tend to flow naturally to profitable ventures.

4. Where unnecessary institutional and regulatory barriers to the supply of such funds remain, the Committee calls on the industrial countries and the international financial institutions to do all they can to remove them, and to catalyze greater volumes of investment. The International Finance Corporation (IFC) in particular can help by doing more to support investments in poorer countries with less access to private capital.

Foreign Direct Investment

5. The Committee believes that foreign direct investment is the most valuable form of private external finance, since it brings with it access to the technical know-how, managerial expertise, and wider markets of the industrial countries. Because it moves in response to perceived market needs, it is much more efficient than state-directed capital flows. It poses less risk to the host country's fiscal or balance of payments position. The Committee welcomes the action taken by most host countries to attract foreign direct investment, by reducing discrimination against foreign investors. It also calls on the industrial countries and the international institutions to play their part by providing technical assistance, investment sector lending, fuller information, guarantees, and, where appropriate, financial support.

Portfolio Investment

6. The Committee welcomes the sharp increase in portfolio investment in equities and bonds in several developing countries

[1]Dr. Hausmann is the Minister of State and the Head of CORDIPLAN in Venezuela. Mr. Lewis Preston, President of the World Bank, Mr. Michel Camdessus, Managing Director of the International Monetary Fund, Mr. Mohammed Imady, Minister of Economy and Foreign Trade of Syria and Chairman of the Group of Twenty-Four, and Mr. Peter Mountfield, Executive Secretary, took part in the meeting. Observers from a number of international and regional organizations also attended.

[2]For the purpose of this communiqué the phrase "developing countries" includes economies in transition.

in recent years. Foreign portfolio investment will add flexibility and depth to domestic capital markets. These markets should be expanded further. The Bank Group and the Fund should provide continuing support for market development, through policy advice, finance, and technical assistance. The Committee calls on both industrial and developing countries to speed up the removal of the remaining regulatory and other impediments to portfolio flows, particularly by facilitating the greater participation of institutional investors.

Bond Markets

7. The Committee also welcomes the reform efforts made by several developing countries. These have restored confidence and allowed them to enter or regain access to the international market for bonds and other financial instruments. It encourages the governments of "source" countries to review and address the remaining obstacles which prevent access to their securities markets by creditworthy developing country borrowers.

Commercial Bank Lending

8. The Committee recognizes that commercial bank lending is not always a suitable form of long-term development finance, or available or appropriate for countries facing severe balance of payments deficits. However, the successful resolution of the debt problems of many middle-income developing countries has permitted a small increase in commercial bank lending. The Committee encourages industrial countries which have not already done so to review their regulatory mechanisms and requirements regularly, and in doing so to examine the scope for easing constraints on trade and project finance to developing countries, without weakening proper prudential supervision. It notes the role of the World Bank's Enhanced Cofinancing program in supporting lending.

Private Sector Development

9. The Committee also reviewed a related report by the World Bank Group on its private sector development strategy which also helps to attract more foreign investment. It welcomes the emergence of a new generation of loans through which the World Bank supports policy, regulatory, and legal reforms directed at improving the day-to-day environment in which firms operate. It commends the work already done or in hand, while calling on the Bank Group as a whole to make even greater progress by promoting small and medium-scale industry and the entrepreneurial role of women, in encouraging the private sector in developing countries, especially the poorest, and in supporting the necessary underpinning public sector reforms.

Official Flows

10. The Committee recognizes that, for poorer countries and those presently unable to attract sufficient private capital, official development assistance remains essential. It therefore welcomes the completion of the IDA-10 negotiations, and calls on the donor countries to complete the ratification process, so that there is no disruption to commitments. It also calls on the Bank to increase further the focus on poverty reduction and environmentally sustainable development. It welcomes the rapid progress in considering the operational modalities for a successor to the ESAF, the Fund's concessional facility for its poorer members; it urges that this work be completed by November 1993, and calls on the Fund to explore all options for funding. It also notes that a review of the pilot phase, discussions on restructuring, and negotiations for the replenishment of the Global Environment Facility are about to commence; it agrees on the importance of a productive outcome by December 1993. It notes that other negotiations are in hand to replenish the concessional funds of other multilateral agencies, and hopes they can be concluded as soon as possible. It calls on industrial countries to consider further ways of increasing flows of officially supported export finance. Finally, it points to the continued stagnation in flows of official development assistance, despite the increased needs, and invites donor countries to do their best to increase their aid as circumstances permit, particularly where it still falls short of 0.7 percent of GNP. Ministers also underscored the critical importance of official development assistance achieving its intended developmental impact. They called on all donors and recipients to strengthen efforts to improve the quality and effectiveness of assistance. Ministers commended the World Bank's effort to undertake a frank and critical self-evaluation of its project performance, and stressed the importance of a vigorous action program. They also urged all development agencies which have not already done so to undertake similar efforts to improve the development impact of their assistance, and to concentrate aid operations on the poorest countries and those where aid can be most effective.

Trade

11. The Committee records its increasing concern about the continued delays and risk of breakdown in the Uruguay Round negotiations. Failure could easily lead, not to continuation of the status quo, but to a downward spiral of increasing protectionism. This would be extremely serious for the growth of the world economy and particularly for the developing countries, leading to a progressive reduction in the markets for their exports and a consequent fall in the living standards of their citizens. It would weaken the developing countries' resolve to liberalize trade further, and to undertake structural reforms. On the other hand, an early agreement will benefit all countries. The Committee asked that all countries firmly resist protectionist pressures. It calls on all the parties for a prompt and successful conclusion to the Round by the end of 1993, and its early implementation.

Next Meeting

12. The Committee agreed to meet again in Washington, D.C., on September 27, 1993, when it will concentrate its discussion on two topics: long-term social policy reforms and short-term safety nets; and adjustment experience in low-income countries and their financing needs. It will also review action taken, or in hand, to follow up the suggestions made at today's meeting.

Executive Directors and Voting Power on April 30, 1993

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Percent of Fund Total[2]
APPOINTED				
Thomas C. Dawson II *Vacant*	United States	265,518	265,518	17.82
Stefan Schoenberg *Bernd Esdar*	Germany	82,665	82,665	5.55
Hiroo Fukui *Naoki Tabata*	Japan	82,665	82,665	5.55
Jean-Pierre Landau *Isabelle Martel*	France	74,396	74,396	4.99
David Peretz *John Dorrington*	United Kingdom	74,396	74,396	4.99
ELECTED				
Jacques de Groote (Belgium)	Austria	12,133		
Johann Prader (Austria)	Belarus	3,054		
	Belgium	31,273		
	Czech Republic	6,146		
	Hungary	7,798		
	Kazakhstan	2,725		
	Luxembourg	1,605		
	Slovak Republic	2,824		
	Turkey	6,670	74,228	4.98
Godert A. Posthumus (Netherlands)	Armenia	925		
Oleh Havrylyshyn (Canada)	Bulgaria	4,899		
	Cyprus	1,250		
	Georgia	1,360		
	Israel	6,912		
	Moldova	1,150		
	Netherlands	34,692		
	Romania	7,791		
	Ukraine	10,223	69,202	4.64
Roberto Marino (Mexico)	Costa Rica	1,440		
Gerver Torres (Venezuela)	El Salvador	1,506		
	Guatemala	1,788		
	Honduras	1,200		
	Mexico	17,783		
	Nicaragua	1,211		
	Spain	19,604		
	Venezuela	19,763	64,295	4.31
Giulio Lanciotti (Italy)	Albania	603		
Ioannis Papadakis (Greece)	Greece	6,126		
	Italy	46,157		
	Malta	925		
	Portugal	5,826		
	San Marino	350	59,987	4.03

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Percent of Fund Total[2]
ELECTED (continued)				
Douglas E. Smee (Canada)	Antigua and Barbuda	335		
Garrett F. Murphy (Ireland)	Bahamas, The	1,199		
	Barbados	739		
	Belize	385		
	Canada	43,453		
	Dominica	310		
	Grenada	335		
	Ireland	5,500		
	Jamaica	2,259		
	St. Kitts and Nevis	315		
	St. Lucia	360		
	St. Vincent and the Grenadines	310	55,500	3.72
Ingimundur Fridriksson (Iceland)	Denmark	10,949		
Jon A. Solheim (Norway)	Estonia	715		
	Finland	8,868		
	Iceland	1,103		
	Latvia	1,165		
	Lithuania	1,285		
	Norway	11,296		
	Sweden	16,390	51,771	3.47
Muhammad Al-Jasser (Saudi Arabia) *Abdulrahman Al-Tuwaijri (Saudi Arabia)*	Saudi Arabia	51,556	51,556	3.46
Ewen L. Waterman (Australia)	Australia	23,582		
Amando M. Tetangco, Jr. (Philippines)	Kiribati	290		
	Korea	8,246		
	Marshall Islands	275		
	Mongolia	621		
	New Zealand	6,751		
	Papua New Guinea	1,203		
	Philippines	6,584		
	Seychelles	310		
	Solomon Islands	325		
	Vanuatu	375		
	Western Samoa	335	48,897	3.28
A. Shakour Shaalan (Egypt)	Bahrain	1,078		
Yacoob Yousef Mohammed (Bahrain)	Egypt	7,034		
	Iraq	5,290		
	Jordan	1,467		
	Kuwait	10,202		
	Lebanon	1,037		
	Libya	8,426		
	Maldives	305		
	Oman	1,444		
	Qatar	2,155		
	Syrian Arab Republic	1,641		
	United Arab Emirates	4,171		
	Yemen, Republic of	2,015	46,265	3.10

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Percent of Fund Total[2]
ELECTED (continued)				
Konstantin G. Kagalovsky (Russia) *Aleksei V. Mozhin (Russia)*	Russia	43,381	43,381	2.91
Daniel Kaeser (Switzerland)	Azerbaijan	1,420		
Krzysztof Link (Poland)	Kyrgyzstan	895		
	Poland	10,135		
	Switzerland	24,954		
	Turkmenistan	730		
	Uzbekistan	2,245	40,379	2.71
J. E. Ismael (Indonesia)	Fiji	761		
Kleo-Thong Hetrakul (Thailand)	Indonesia	15,226		
	Lao People's Democratic Republic	641		
	Malaysia	8,577		
	Myanmar	2,099		
	Nepal	770		
	Singapore	3,826		
	Thailand	5,989		
	Tonga	300		
	Viet Nam	2,018	40,207	2.70
Abbas Mirakhor (Islamic Republic of Iran)	Afghanistan, Islamic State of	1,454		
Omar Kabbaj (Morocco)	Algeria	9,394		
	Ghana	2,990		
	Iran, Islamic Republic of	11,035		
	Morocco	4,527		
	Pakistan	7,832		
	Tunisia	2,310	39,542	2.65
Alexandre Kafka (Brazil)	Brazil	21,958		
Juan Carlos Jaramillo (Colombia)	Colombia	5,863		
	Dominican Republic	1,838		
	Ecuador	2,442		
	Guyana	922		
	Haiti	691		
	Panama	1,746		
	Suriname	743		
	Trinidad and Tobago	2,718	38,921	2.61
K. P. Geethakrishnan (India)	Bangladesh	4,175		
L. Eustace N. Fernando (Sri Lanka)	Bhutan	295		
	India	30,805		
	Sri Lanka	3,286	38,561	2.59
L. J. Mwananshiku (Zambia)	Angola	2,323		
Barnabas S. Dlamini (Swaziland)	Botswana	616		
	Burundi	822		
	Ethiopia	1,233		
	Gambia, The	479		
	Kenya	2,244		
	Lesotho	489		

Director *Alternate*	Casting Votes of	Votes by Country	Total Votes[1]	Percent of Fund Total[2]
ELECTED (concluded)				
	Liberia	963		
	Malawi	759		
	Mozambique	1,090		
	Namibia	1,246		
	Nigeria	13,066		
	Sierra Leone	829		
	Sudan	1,947		
	Swaziland	615		
	Tanzania	1,719		
	Uganda	1,589		
	Zambia	2,953		
	Zimbabwe	2,863	37,845	2.54
ZHANG Ming (China) *WEI Benhua (China)*	China	34,102	34,102	2.29
A. Guillermo Zoccali (Argentina) *Manuel Estela (Peru)*	Argentina	15,621		
	Bolivia	1,512		
	Chile	6,467		
	Paraguay	971		
	Peru	4,911		
	Uruguay	2,503	31,985	2.15
Corentino V. Santos (Cape Verde) *Yves-Marie T. Koissy* *(Côte d'Ivoire)*	Benin	703		
	Burkina Faso	692		
	Cameroon	1,601		
	Cape Verde	320		
	Central African Republic	662		
	Chad	663		
	Comoros	315		
	Congo	829		
	Côte d'Ivoire	2,632		
	Djibouti	365		
	Equatorial Guinea	493		
	Gabon	1,353		
	Guinea	1,037		
	Guinea-Bissau	355		
	Madagascar	1,154		
	Mali	939		
	Mauritania	725		
	Mauritius	983		
	Niger	733		
	Rwanda	845		
	Sao Tome and Principe	305		
	Senegal	1,439		
	Togo	793		
	Zaïre	3,160	23,096	1.55
			1,469,360[3]	98.59[4]

[1] Voting power varies on certain matters pertaining to the General Department with use of the Fund's resources in that Department.

[2] Percentages of total votes (1,490,312) in the General Department and the SDR Department.

[3] This total does not include the votes of Cambodia, Croatia, the former Yugoslav Republic of Macedonia, Slovenia, Somalia, South Africa, and Tajikistan which did not participate in the 1992 Regular Election of Executive Directors. The combined votes of those members total 20,952—1.41 percent of those in the General Department and SDR Department.

[4] This figure may differ from the sum of the percentages shown for individual Directors because of rounding.

Changes in Membership of Executive Board

Changes in membership of the Executive Board between May 1, 1992 and April 30, 1993 were as follows:

Paul Wright (United Kingdom) resigned as Alternate Executive Director to David Peretz (United Kingdom), effective August 28, 1992.

John Dorrington (United Kingdom) was appointed as Alternate Executive Director to David Peretz (United Kingdom), effective August 29, 1992.

Mohamed Finaish (Libya) completed his term of service as Executive Director for Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Pakistan, Qatar, Somalia, Syrian Arab Republic, United Arab Emirates, and Republic of Yemen, effective October 31, 1992.

L. B. Monyake (Lesotho) completed his term of service as Executive Director for Angola, Botswana, Burundi, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Sudan, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe, effective October 31, 1992.

Ángel Torres (Spain) completed his term of service as Executive Director for Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, and Venezuela, effective October 31, 1992.

Alejandro Végh (Uruguay) completed his term of service as Executive Director for Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay, effective October 31, 1992.

R. Lindsay Knight (New Zealand) resigned as Alternate Executive Director to E.A. Evans (Australia), effective October 31, 1992.

Azizali F. Mohammed (Pakistan) resigned as Alternate Executive Director to Mohamed Finaish (Libya), effective October 31, 1992.

Gabriel C. Noonan (Ireland) resigned as Alternate Executive Director to C. Scott Clark (Canada), effective October 31, 1992.

Tanya Sirivedhin (Thailand) resigned as Alternate Executive Director to J. E. Ismael (Indonesia), effective October 31, 1992.

Muhammad Al-Jasser (Saudi Arabia) was elected Executive Director by Saudi Arabia, effective November 1, 1992.

G. K. Arora (India) was re-elected Executive Director by Bangladesh, Bhutan, India, and Sri Lanka, effective November 1, 1992.

CHE Peiqin (China) was re-elected Executive Director by China, effective November 1, 1992.

C. Scott Clark (Canada) was re-elected and resigned as Executive Director for Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent, effective November 1, 1992.

Jacques de Groote (Belgium) was re-elected Executive Director by Austria, Belarus, Belgium, Czech Republic and Slovak Republic (formerly Czechoslovakia), Hungary, Kazakhstan, Luxembourg, and Turkey, effective November 1, 1992.

E. A. Evans (Australia) was re-elected Executive Director by Australia, Kiribati, Korea, Marshall Islands, Mongolia, New Zealand, Papua New Guinea, Philippines, Seychelles, Solomon Islands, Vanuatu, and Western Samoa, effective November 1, 1992.

Renato Filosa (Italy) was re-elected Executive Director by Albania, Greece, Italy, Malta, Portugal, and San Marino, effective November 1, 1992.

Ingimundur Fridriksson (Iceland) was re-elected Executive Director by Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden, effective November 1, 1992.

J. E. Ismael (Indonesia) was re-elected Executive Director by Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga, and Viet Nam, effective November 1, 1992.

Daniel Kaeser (Switzerland) was elected Executive Director by Azerbaijan, Kyrgyzstan, Poland, Switzerland, Turkmenistan, and Uzbekistan, effective November 1, 1992.

Alexandre Kafka (Brazil) was re-elected Executive Director by Brazil, Colombia, Dominican Republic, Ecuador, Guyana, Haiti, Panama, Suriname, and Trinidad and Tobago, effective November 1, 1992.

Konstantin G. Kagalovsky (Russia) was elected Executive Director by Russia, effective November 1, 1992.

Roberto Marino (Mexico), formerly Alternate Executive Director to Ángel Torres (Spain), was elected Executive Director by Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, and Venezuela, effective November 1, 1992.

Abbas Mirakhor (Islamic Republic of Iran) was re-elected Executive Director by the Islamic State of Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Morocco, Pakistan, and Tunisia, effective November 1, 1992.

L. J. Mwananshiku (Zambia), formerly Alternate Executive Director to L. B. Monyake (Lesotho), was elected Executive Director by Angola, Botswana, Burundi, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Sudan, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe, effective November 1, 1992.

Godert A. Posthumus (Netherlands) was re-elected Executive Director by Armenia, Bulgaria, Cyprus, Georgia, Israel, Moldova, Netherlands, Romania, and Ukraine, effective November 1, 1992.

Corentino V. Santos (Cape Verde) was re-elected Executive Director by Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, Sao Tome and Principe, Senegal, Togo, and Zaïre, effective November 1, 1992.

A. Shakour Shaalan (Egypt) was elected Executive Director by Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syrian Arab Republic, United Arab Emirates, and Republic of Yemen, effective November 1, 1992.

A. Guillermo Zoccali (Argentina), formerly Alternate Executive Director to Alejandro Végh (Uruguay), was elected Executive Director by Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay, effective November 1, 1992.

Barnabas S. Dlamini (Swaziland) was appointed as Alternate Executive Director to L. J. Mwananshiku (Zambia), effective November 1, 1992.

Manuel Estela (Peru) was appointed as Alternate Executive Director to A. Guillermo Zoccali (Argentina), effective November 1, 1992.

Kleo-Thong Hetrakul (Thailand) was appointed as Alternate Executive Director to J. E. Ismael (Indonesia), effective November 1, 1992.

Yacoob Yousef Mohammed (Bahrain) was appointed as Alternate Executive Director to A. Shakour Shaalan (Egypt), effective November 1, 1992.

Aleksei V. Mozhin (Russia) was appointed as Alternate Executive Director to Konstantin G. Kagalovsky (Russia), effective November 1, 1992.

Garrett F. Murphy (Ireland) was appointed as Alternate Executive Director to C. Scott Clark (Ukraine), effective November 2, 1992.

Amando M. Tetangco, Jr. (Philippines) was appointed as Alternate Executive Director to E. A. Evans (Australia), effective November 1, 1992.

Gerver Torres (Venezuela) was appointed as Alternate Executive Director to Robert Marino (Mexico), effective November 1, 1992.

Garrett F. Murphy (Ireland) was appointed as Alternate Executive Director to Douglas E. Smee (Canada), effective November 2, 1992.

Douglas E. Smee (Canada) was elected Executive Director by Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, effective November 2, 1992.

Bernd Goos (Germany) resigned as Executive Director for Germany, effective November 23, 1992.

Stefan Schoenberg (Germany) was appointed Executive Director for Germany, effective November 24, 1992.

Bernd Esdar (Germany) was appointed Alternate Executive Director to Stefan Schoenberg (Germany), effective November 24, 1992.

Zarko Trbojevic (Yugoslavia) resigned as Alternate Executive Director to Godert A. Posthumus (Netherlands), effective November 30, 1992.

Krzysztof Link (Poland) was appointed as Alternate Executive Director to Daniel Kaeser (Switzerland), effective December 1, 1992.

Oleh Havrylyshyn (Canada) was appointed as Alternate Executive Director to Godert A. Posthumus (Netherlands), effective January 1, 1993.

Renato Filosa (Italy) resigned as Executive Director for Albania, Greece, Italy, Malta, Portugal, and San Marino, effective January 14, 1993.

Giulio Lanciotti (Italy) was elected as Executive Director for Albania, Greece, Italy, Malta, Portugal, and San Marino, effective January 15, 1993.

Ioannis Papadakis (Greece) was appointed as Alternate Executive Director to Giulio Lanciotti (Italy), effective January 15, 1993.

Quincy M. Krosby (United States) resigned as Alternate Executive Director to Thomas C. Dawson II (United States), effective February 8, 1993.

CHE Peiqin (China) resigned as Executive Director for China, effective March 10, 1993.

ZHANG Ming (China) was elected Executive Director by China, effective March 11, 1993.

WEI Benhua (China) was appointed as Alternate Executive Director to ZHANG Ming (China), effective March 11, 1993.

G. K. Arora (India) resigned as Executive Director for Bangladesh, Bhutan, India, and Sri Lanka, effective March 15, 1993.

K. P. Geethakrishnan (India) was elected as Executive Director by Bangladesh, Bhutan, India, and Sri Lanka, effective March 16, 1993.

L. Eustace N. Fernando (Sri Lanka) was appointed as Alternate Executive Director to K. P. Geethakrishnan (India), effective March 16, 1993.

E. A. Evans (Australia) resigned as Executive Director for Australia, Kiribati, Korea, Marshall Islands, Mongolia, New Zealand, Papua New Guinea, Philippines, Seychelles, Solomon Islands, Vanuatu, and Western Samoa, effective April 28, 1993.

E. L. Waterman (Australia) was elected as Executive Director by Australia, Kiribati, Korea, Marshall Islands, Mongolia, New Zealand, Papua New Guinea, Philippines, Seychelles, Solomon Islands, Vanuatu, and Western Samoa, effective April 29, 1993.

Amando M. Tetangco, Jr. (Philippines) was appointed as Alternate Executive Director to E. L. Waterman (Australia), effective April 29, 1993.

The following served at certain meetings of the Executive Board during 1992/93 as Temporary Alternate Executive Directors to the Executive Directors indicated:

Temporary Alternate Executive Director	**Executive Director for Whom Temporary Alternate Served**
John M. Abbott *(United States)*	Thomas C. Dawson II *(United States)*
Burhanuddin Abdullah *(Indonesia)*	J. E. Ismael *(Indonesia)*
John O. Aderibigbe *(Nigeria)*	L. B. Monyake *(Lesotho)*
Meekal A. Ahmed *(Pakistan)*	L. J. Mwananshiku *(Zambia)*
	Abbas Mirakhor *(Iran, Islamic Republic of)*
S. E. Al-Huseini *(Saudi Arabia)*	Muhammad Al-Jasser *(Saudi Arabia)*
José Roberto Novael de Almeida *(Brazil)*	Alexandre Kafka *(Brazil)*
Maria Celina B. Arraes *(Brazil)*	Alexandre Kafka *(Brazil)*
David Barr *(United Kingdom)*	David Peretz *(United Kingdom)*
Taye Berrihun *(Ethiopia)*	L. B. Monyake *(Lesotho)*
	L. J. Mwananshiku *(Zambia)*
George Bindley-Taylor *(Trinidad and Tobago)*	Alexandre Kafka *(Brazil)*
Michael Blome *(Germany)*	Bernd Goos *(Germany)*
	Stefan Schoenberg *(Germany)*
Patrice Bonzom *(France)*	Jean-Pierre Landau *(France)*
Biagio Bossone *(Italy)*	Renato Filosa *(Italy)*
Luis E. Breuer *(Paraguay)*	Alejandro Végh *(Uruguay)*
	A. Guillermo Zoccali *(Argentina)*
Johannes H. Brits *(Netherlands)*	Godert A. Posthumus *(Netherlands)*
Juan M. Burdiel *(Spain)*	Roberto Marino *(Mexico)*
Mohamed Bahaa Chatah *(Lebanon)*	Mohamed Finaish *(Libya)*
	A. Shakour Shaalan *(Egypt)*
CHEN Minqiang *(China)*	CHE Peiqin *(China)*
Roberto F. Cippa *(Switzerland)*	Daniel Kaeser *(Switzerland)*
Susan B. Creane *(United States)*	Thomas C. Dawson II *(United States)*
Cao Doc Cuong *(Viet Nam)*	J. E. Ismael *(Indonesia)*
Mercedes Da Costa *(Venezuela)*	Ángel Torres *(Spain)*
DENG Haibin *(China)*	CHE Peiqin *(China)*
Dominique Desruelle *(France)*	Jean-Pierre Landau *(France)*
Louis Dicks-Mireaux *(United Kingdom)*	Muhammad Al-Jasser *(Saudi Arabia)*
Hubert Dognin *(France)*	Jean-Pierre Landau *(France)*
DUAN Jining *(China)*	CHE Peiqin *(China)*
Nestor A. Espenilla, Jr. *(Philippines)*	E. A. Evans *(Australia)*
Samia Farid *(Egypt)*	A. Shakour Shaalan *(Egypt)*
Salam K. Fayyad *(Jordan)*	Mohamed Finaish *(Libya)*
	A. Shakour Shaalan *(Egypt)*
B. R. Fuleihan *(United Kingdom)*	Muhammad Al-Jasser *(Saudi Arabia)*
M. Galán *(Mexico)*	Ángel Torres *(Spain)*
Antonio Galicia *(Mexico)*	Roberto Marino *(Mexico)*
Alessandro Giustiniani *(Italy)*	Renato Filosa *(Italy)*
	Giulio Lanciotti *(Italy)*
Grigori Y. Glazkov *(Russia)*	Konstantin G. Kagalovsky *(Russia)*
Hassan Golriz *(Iran, Islamic Republic of)*	Abbas Mirakhor *(Iran, Islamic Republic of)*
Audun Gronn *(Norway)*	Ingimundur Fridriksson *(Iceland)*
S. Gurumurthi *(India)*	G. K. Arora *(India)*
Mohamed Ali Hammoudi *(Algeria)*	Abbas Mirakhor *(Iran, Islamic Republic of)*
Mary Elizabeth Hansen *(United States)*	Thomas C. Dawson II *(United States)*
Georges Heinen *(Luxembourg)*	Jacques de Groote *(Belgium)*
Kerstin M. Heinonen *(Finland)*	Ingimundur Fridriksson *(Iceland)*

Temporary Alternate Executive Director	Executive Director for Whom Temporary Alternate Served
Oussama A. Himani *(Lebanon)*	Mohamed Finaish *(Libya)*
Koichi Ishikura *(Japan)*	Hiroo Fukui *(Japan)*
Abdel Rehman Ismael *(Mauritius)*	Corentino V. Santos *(Cape Verde)*
James Jamnik *(Canada)*	C. Scott Clark *(Canada)*
	Douglas E. Smee *(Canada)*
Cristopher J. Jarvis *(United Kingdom)*	Konstantin G. Kagalovsky *(Russia)*
Jiri Jonas *(Czechoslovakia)*	Jacques de Groote *(Belgium)*
J. Mills Jones *(Liberia)*	L. B. Monyake *(Lesotho)*
Teruhide Kanada *(Japan)*	Hiroo Fukui *(Japan)*
Elena Kotova *(Russia)*	Konstantin G. Kagalovsky *(Russia)*
Tuseno-Minu Kudiwu *(Zaïre)*	Corentino V. Santos *(Cape Verde)*
Vural Kural *(Turkey)*	Jacques de Groote *(Belgium)*
Kathryn Langdon *(Canada)*	C. Scott Clark *(Canada)*
	Douglas E. Smee *(Canada)*
Wolfgang Laux *(Germany)*	Bernd Goos *(Germany)*
	Stefan Schoenberg *(Germany)*
Young-Hoi Lee *(Korea)*	E. A. Evans *(Australia)*
Gillian Lindsay-Nanton *(St. Vincent and the Grenadines)*	C. Scott Clark *(Canada)*
	Douglas E. Smee *(Canada)*
Boris M. Lvin *(Russia)*	Konstantin G. Kagalovsky *(Russia)*
J. Mafararikwa *(Zimbabwe)*	L. B. Monyake *(Lesotho)*
	L. J. Mwananshiku *(Zambia)*
Noel Mancebo *(Uruguay)*	A. Guillermo Zoccali *(Argentina)*
Ernesto Martínez-Alas *(El Salvador)*	Ángel Torres *(Spain)*
	Roberto Marino *(Mexico)*
Graham J. Matthews *(Australia)*	E. A. Evans *(Australia)*
Sarah McDougall *(New Zealand)*	E. A. Evans *(Australia)*
Pedro Antonio Merino *(Spain)*	Roberto Marino *(Mexico)*
Raphael Meron *(Israel)*	Godert A. Posthumus *(Netherlands)*
Azizali F. Mohammed *(Pakistan)*	Mohamed Finaish *(Libya)*
Mohammad Jafar Mojarrad *(Iran, Islamic Republic of)*	Abbas Mirakhor *(Iran, Islamic Republic of)*
Frank Moss *(Belgium)*	Jacques de Groote *(Belgium)*
M. Mrakovcic *(Australia)*	E. A. Evans *(Australia)*
James A. K. Munthali *(Malawi)*	L. B. Monyake *(Lesotho)*
Makoto Nakagawa *(Japan)*	Hiroo Fukui *(Japan)*
Jean-Christian Obame *(Gabon)*	Corentino V. Santos *(Cape Verde)*
Luis Fernando Ochoa *(Chile)*	Alejandro Végh *(Uruguay)*
	Susana del Olgiati *(Argentina)*
	A. Guillermo Zoccali *(Argentina)*
John Kobina Orleans-Lindsay *(Ghana)*	Corentino V. Santos *(Cape Verde)*
Yasmin Patel *(Mozambique)*	L. B. Monyake *(Lesotho)*
	L. J. Mwananshiku *(Zambia)*
Erik H. Pedersen *(Denmark)*	Ingimundur Fridriksson *(Iceland)*
L. M. Piantini *(Dominican Republic)*	Alexandre Kafka *(Brazil)*
Dorothy Powell *(Canada)*	C. Scott Clark *(Canada)*
Robert Kenneth W. Powell *(United Kingdom)*	David Peretz *(United Kingdom)*
Enzo Quattrociocche *(Italy)*	Renato Filosa *(Italy)*
	Giulio Lanciotti *(Italy)*
Félix Armando Quirós *(Panama)*	Alexandre Kafka *(Brazil)*
A. Raza *(India)*	G. K. Arora *(India)*
Leonardo Rodriguez *(Spain)*	Ángel Torres *(Spain)*
Sadok Rouai *(Tunisia)*	Abbas Mirakhor *(Iran, Islamic Republic of)*
Patricio L. Rubianes *(Ecuador)*	Alexandre Kafka *(Brazil)*

Temporary Alternate Executive Director	Executive Director for Whom Temporary Alternate Served
Daniel Saha *(Cameroon)*	Corentino V. Santos *(Cape Verde)*
Bawwirou A. Sarr *(Mauritania)*	Corentino V. Santos *(Cape Verde)*
Shigei Shimizu *(Japan)*	Hiroo Fukui *(Japan)*
Frixos Antonios Sorokos *(Cyprus)*	Godert A. Posthumus *(Netherlands)*
Duncan Sparkes *(United Kingdom)*	David Peretz *(United Kingdom)*
Bea Szombati *(Hungary)*	Jacques de Groote *(Belgium)*
Alexandru M. Tanase *(Romania)*	Godert A. Posthumus *(Netherlands)*
Lisa Tase *(Romania)*	Godert A. Posthumus *(Netherlands)*
T. P. Thomas *(India)*	G. K. Arora *(India)* K. P. Geethakrishnan *(India)*
Rupert Thorne *(United Kingdom)*	David Peretz *(United Kingdom)*
Norbert Toé *(Burkina Faso)*	Corentino V. Santos *(Cape Verde)*
A. Törnqvist *(Sweden)*	Ingimundur Fridriksson *(Iceland)*
Jan Willem van der Kaaij *(Netherlands)*	G. A. Posthumus *(Netherlands)*
Vitali Verjbitski *(Russia)*	Konstantin G. Kagalovsky *(Russia)*
Stephan von Stenglin *(Germany)*	Bernd Goos *(Germany)*
Silvia Vori *(Italy)*	Renato Filosa *(Italy)* Giulio Lanciotti *(Italy)*
Tin Win *(Myanmar)*	J. E. Ismael *(Indonesia)*
YANG Xiang Yuan *(China)*	CHE Peiqin *(China)*

Administrative and Capital Budgets

Administrative Budget as Approved by the Executive Board for the Financial Year Ending April 30, 1994 Compared with Actual Expenses for the Financial Years Ended April 30, 1992 and April 30, 1993; and Capital Budgets as Approved by the Executive Board for Capital Projects in Financial Years 1992, 1993, and 1994

(Values expressed in thousands of U.S. dollars)[1]

	Financial Year Ended April 30, 1992	Financial Year Ended April 30, 1993	Financial Year Ending April 30, 1994
	Actual Expenses	Actual Expenses	Budget
ADMINISTRATIVE BUDGET			
I. Personnel Expenses			
Salaries	153,093	174,551	207,005
Other personnel expenses	82,893	95,961	124,601
Subtotal	235,986	270,512	331,606
II. Travel Expenses			
Business travel	36,142	43,675	45,570
Other travel	18,209	24,492	26,355
Subtotal	54,351	68,167	71,925
III. Other Administrative Expenses			
Communications	7,462	8,954	11,435
Building occupancy	21,819	28,361	40,608
Books and printing	5,876	5,864	7,195
Supplies and equipment	6,392	8,436	9,521
Data processing	18,257	14,207	19,485
Miscellaneous	4,936	6,484	11,189
Subtotal	64,742	72,306	99,433
IV. Reimbursements	−17,012	−21,913	−26,149
TOTAL ADMINISTRATIVE BUDGET	338,067	389,072	476,815
Less: Reimbursement for administering the SDR Department	−5,618	−4,067	−4,649
Reimbursement for administering the SAF/ESAF	−20,912	−23,200	−29,001
Net Administrative Budget Expenses[2]	311,537	361,805	443,165
CAPITAL BUDGET			
Capital Project Budgets	41,300	9,050	13,760
Capital Project Expenditures[3]	8,882	17,576	42,972

[1]Due to rounding, details may not add to total.
[2]Net administrative budget expenses exclude valuation gain or loss on administrative currency holdings.
[3]Capital project expenditures are approved as part of multiyear capital budgets.

Financial Statements

REPORT OF THE EXTERNAL AUDIT COMMITTEE

Washington, D.C.
June 30, 1993

Authority and Scope of the Audit

In accordance with Section 20(b) of the By-Laws of the International Monetary Fund we have audited the financial statements of the Fund covering the:

- General Department for the financial year ended April 30, 1993,
- SDR Department for the financial year ended April 30, 1993, and
- Accounts Administered by the Fund, for the financial year ended April 30, 1993, which consist of the:

1. Enhanced Structural Adjustment Facility Trust,
2. Enhanced Structural Adjustment Facility Administered Accounts:
   — Austria,
   — Belgium,
   — Greece,
   — Saudi Fund for Development (SFD) Special Account,
3. Other Administered Accounts:
   — Administered Account—Japan,
   — Administered Technical Assistance Account—Japan,
   — Administered Account—Guyana (for the period from May 1, 1992 to December 31, 1992),
   — Voluntary Contribution Account—Bolivia (for the period from May 1, 1992 to December 31, 1992),
4. Trust Fund,
5. Supplementary Financing Facility Subsidy Account.

Our audit was conducted in accordance with generally accepted auditing standards and included reviews of accounting and internal control systems, and tests of the accounting records. We evaluated the extent and results of the work of the outside accounting firm as well as that of the Office of Internal Audit and Review and also used other audit procedures as deemed necessary.

Audit Opinion

In our opinion the financial statements of the General Department (including the related supplemental schedules one to three), the SDR Department, and the Accounts administered by the Fund have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year and give a true and fair view of the respective financial positions and the allocations and holdings of SDRs as at April 30, 1993, and of the financial results of operations and transactions during the respective periods (except in the cases of the Administered Account—Guyana and the Voluntary Contribution Account—Bolivia which were terminated on December 31, 1992).

In connection with our examination of the Voluntary Contribution Account, in our opinion the operation of the Account of Bolivia has been conducted in accordance with the Instrument establishing the Account.

EXTERNAL AUDIT COMMITTEE:

Mohammed Zouhair Tallaj, Chairman (*Syrian Arab Republic*)
José Manuel Palenque (*Bolivia*)
Koji Yamazaki (*Japan*)

GENERAL DEPARTMENT

BALANCE SHEETS

as at April 30, 1993 and 1992

(In thousands of SDRs)
(Note 1)

	1993	1992
ASSETS		
GENERAL RESOURCES ACCOUNT		
Currencies and securities (Notes 2 and 5)	138,828,278	92,719,917
SDR holdings (Note 3)	7,930,129	680,338
Gold holdings (Note 4)	3,624,797	3,620,396
Charges receivable (Note 5)	1,408,218	1,603,520
Interest receivable on SDR holdings	102,765	13,267
Quota subscriptions receivable	73,500	69,000
Other receivables	82,397	—
Other assets	50,052	40,718
TOTAL GENERAL RESOURCES ACCOUNT	152,100,136	98,747,156
SPECIAL DISBURSEMENT ACCOUNT		
Interest-earning and currency deposits	615,315	680,675
Structural adjustment facility loans	1,879,252	1,864,596
Interest receivable	7,362	26,112
TOTAL SPECIAL DISBURSEMENT ACCOUNT	2,501,929	2,571,383
TOTAL ASSETS	154,602,065	101,318,539
QUOTAS, RESERVES, LIABILITIES, AND RESOURCES		
GENERAL RESOURCES ACCOUNT		
Quotas (Note 2)	144,606,200	91,221,550
Reserves (Note 6)	1,627,323	1,556,752
Special Contingent Accounts (Note 5)	911,897	656,632
Liabilities		
Borrowing (Note 7)	3,360,000	3,710,000
Remuneration payable (Note 5)	241,719	210,452
Accrued interest	41,320	59,725
Other liabilities	253,727	150,338
	3,896,766	4,130,515
Deferred income from charges (Note 5)	1,057,950	1,181,707
TOTAL GENERAL RESOURCES ACCOUNT	152,100,136	98,747,156
SPECIAL DISBURSEMENT ACCOUNT		
Accumulated resources	2,499,884	2,570,314
Deferred income	2,045	1,069
TOTAL SPECIAL DISBURSEMENT ACCOUNT	2,501,929	2,571,383
TOTAL QUOTAS, RESERVES, LIABILITIES, AND RESOURCES	154,602,065	101,318,539

The accompanying notes and schedules are an integral part of the financial statements.

/s/ David Williams
Treasurer

/s/ M. Camdessus
Managing Director

GENERAL DEPARTMENT

INCOME STATEMENTS

for the years ended April 30, 1993 and 1992

(In thousands of SDRs)

(Note 1)

	1993	1992
GENERAL RESOURCES ACCOUNT		
OPERATIONAL INCOME (Note 5)		
Periodic charges	1,392,023	1,654,165
Interest on SDR holdings	217,380	56,942
Service charges	26,422	26,472
Stand-by, special charges, and other income	37,680	23,495
Burden-sharing contributions net of refunds: (Note 5)		
Additional charges	52,795	127,753
Reduction of remuneration	103,489	168,649
Settlements in excess (less than) of deferred charges	98,300	(66,293)
	1,928,089	1,991,183
OPERATIONAL EXPENSES		
Remuneration (Note 5)	1,116,839	1,152,812
Interest expense (Note 7)	222,072	286,551
Allocation to the Special Contingent Accounts (Note 5)	255,265	229,673
	1,594,176	1,669,036
NET OPERATIONAL INCOME	333,913	322,147
ADMINISTRATIVE EXPENSES (Notes 1 and 9)	263,342	232,221
NET INCOME OF GENERAL RESOURCES ACCOUNT	70,571	89,926
SPECIAL DISBURSEMENT ACCOUNT		
Investment income	39,720	62,534
Interest and special charges	8,521	8,232
	48,241	70,766
Administrative expenses (Note 9)	16,502	15,306
NET INCOME OF SPECIAL DISBURSEMENT ACCOUNT	31,739	55,460

The accompanying notes and schedules are an integral part of the financial statements.

GENERAL DEPARTMENT

STATEMENTS OF CHANGES IN RESERVES AND RESOURCES

for the years ended April 30, 1993 and 1992

(In thousands of SDRs)
(Note 1)

	1993	1992
RESERVES—GENERAL RESOURCES ACCOUNT		
SPECIAL RESERVE (Note 6)		
Balance, beginning of the year	1,191,172	1,101,246
Net income	70,571	89,926
Balance, end of the year	1,261,743	1,191,172
GENERAL RESERVE (Note 6)		
Balance, beginning and end of the year	365,580	365,580
TOTAL RESERVES	1,627,323	1,556,752
RESOURCES—SPECIAL DISBURSEMENT ACCOUNT		
Balance, beginning of the year	2,570,314	2,594,838
Transfers from Trust Fund	1,601	1,115
Transfers from SFF Subsidy Account	—	1,227
Transfers to ESAF Trust	(103,770)	(82,326)
	2,468,145	2,514,854
Net income	31,739	55,460
TOTAL RESOURCES	2,499,884	2,570,314

The accompanying notes and schedules are an integral part of the financial statements.

GENERAL DEPARTMENT

NOTES TO THE FINANCIAL STATEMENTS

April 30, 1993 and 1992

General Department

The General Department consists of the General Resources Account, the Special Disbursement Account, and the Investment Account. The Investment Account had not been activated at April 30, 1993. The Borrowed Resources Suspense Accounts were established in May 1981 within the General Department.

General Resources Account

Most of the transactions between member countries and the Fund take place through the General Resources Account. This account reflects the receipt of quota subscriptions, purchases and repurchases, collection of charges and payment of remuneration on member's use of Fund credit and on creditor positions in the Fund, and repayment of principal to the Fund's lenders. Assets held in the General Resources Account include (i) currencies (including securities) of the Fund's member countries, (ii) SDR holdings, and (iii) gold.

The Fund makes its resources available to its members under policies on the use of its resources by selling to members, in exchange for their own currencies, SDRs or currencies of other members. When members make purchases, they incur an obligation to repurchase the Fund's holdings of their currencies, within the periods specified by the Fund, by the payment to the Fund of SDRs or currencies of other members specified by the Fund. The Fund's policies on the use of its resources are intended to assure that their use is temporary and will be reversed within time periods specified by the Fund.

The composition of the Fund's holdings of members' currencies changes as a result of the Fund's transactions, including purchases and repurchases. Currencies and securities consist of holdings of currencies or notes payable on demand that substitute for the members' currencies, including those of members that make use of the Fund's resources and those used to finance the Fund's operations and transactions. A member has a reserve tranche in the Fund to the extent that the Fund's holdings of its currency, excluding holdings that reflect the member's use of Fund credit, are less than the member's quota. A member's reserve tranche is considered a part of the member's external reserves, which it may draw at any time when it represents that it has a need. Reserve tranche purchases are not considered a use of Fund credit.

A member is entitled to repurchase at any time the Fund's holdings of its currency on which the Fund levies charges and is expected to make repurchases as and when its balance of payments and reserve position improves.

On April 23, 1993, the systemic transformation facility (STF) was established as a temporary facility to provide assistance at an early stage to members experiencing serious balance of payments difficulties as a result of disruptions in their traditional trade and payments arrangements. This facility provides assistance to members that are significantly affected by these systemic shocks. As of April 30, 1993, no drawings had been made under this facility.

Special Disbursement Account

The Special Disbursement Account was activated on June 30, 1981 to receive transfers from the Trust Fund, which is in the process of being wound up. A structural adjustment facility (SAF) was established in March 1986 within the Special Disbursement Account to provide balance of payments assistance to qualifying low-income developing members.

Pending their use, resources held in the Special Disbursement Account are placed in SDR-denominated investments. Balances may be placed temporarily in U.S. dollar-denominated investments.

The Special Disbursement Account is a part of the General Department of the Fund. The assets and income of the account are held separate from resources of other accounts of the General Department. Assets that exceed the need of the account are transferred to the Reserve Account of the Enhanced Structural Adjustment Facility Trust (ESAF Trust), which is separately administered by the Fund as Trustee. Resources of the ESAF Trust Reserve Account that are determined to be in excess of its estimated needs are to be transferred back to the Special Disbursement Account. Upon liquidation of the ESAF Trust, the amounts remaining in the Reserve Account after the discharge of remaining liabilities shall be transferred to the Special Disbursement Account.

1. Accounting Practices

The accounts of the General Department are expressed in terms of the SDR. SDRs are interest-earning assets allocated to participants in the Fund's SDR Department. The currency value of the SDR is determined by the Fund each day by summing the values in U.S. dollars, based on market exchange rates, of a basket of five currencies. The Fund's procedures require that the SDR valuation basket be reviewed every five years, and that it include the currencies of the members having the largest exports of goods and services during the five-year period ending one year prior to the date of the revisions. The SDR valuation basket was last reviewed in financial year 1991. The currencies comprising the basket and their amounts in the basket are as follows:

Currency	Amount
U.S. dollar	0.572
Deutsche mark	0.453
Japanese yen	31.8
French franc	0.800
Pound sterling	0.0812

Currencies are valued in terms of the SDR on the basis of the representative exchange rate determined for each currency in accordance with the Rules of the Fund.

The Fund maintains its accounts on the accrual basis and, accordingly, recognizes income as it is earned and records expenses as they are incurred, except that income from charges from members that are overdue in settling their obligations to the Fund by six months or more is deferred and is recognized as income only when paid unless the member has remained current in settling charges when due (see discussion of deferred charges in Note 5).

Until April 30, 1993, it had been the Fund's policy to charge as an expense of each accounting period the total costs incurred for property, furniture, and equipment except that the costs of land acquisition, land improvements, and design costs of a proposed extension of the Fund's headquarters building are accumulated in an asset account pending completion of the project (SDR 19.3 million and SDR 15.5 million at April 30, 1993 and 1992, respectively). For the year ended April 30, 1993, the cost of other building improvements and equipment in excess of $100,000 amounted to SDR 3.0 million (SDR 1 million for financial year 1992). The cumulative costs of land and buildings, excluding the cost of the extension, amount to SDR 109 million (SDR 105 million for financial year 1992).

On May 1, 1993, the Fund will commence depreciation accounting by capitalizing and depreciating all assets (with a cost in excess of $100,000) over their estimated useful lives. On that date, the Fund will also reinstate the estimated net book value of land and buildings on May 1, 1993 that had previously been written off. The net book value of buildings and land is equal to historical cost less estimated depreciation expense and is estimated at SDR 48.4 million.

2. Quotas, Currencies, and Securities

Each member has been required to pay to the Fund the amount of its initial quota and subsequent increases partly in the member's own currency and the remainder in the form of reserve assets, except that in 1978 members were permitted to pay the entire increase in their own currencies. A member's quota is not increased until the member consents to the increase and pays the subscription. Each member has the option to substitute nonnegotiable and non-interest-bearing securities for the amount of its currency held by the Fund in the General Resources Account that is in excess of 1/4 of 1 percent of the member's quota. These securities, which are part of the Fund's currency holdings, are encashable by the Fund on demand.

The increase under the Ninth General Review of Quotas became effective on November 11, 1992, after members having 70 percent of the total quotas on May 30, 1990 consented to the increase in quotas and after the adoption of the Third Amendment to the Fund's Articles of Agreement. The Third Amendment provides that a member's voting and certain related rights may be suspended by a 70 percent majority of the total voting power, if the member persists in its failure to fulfill its obligations under the Articles. When all members will have consented and paid the increase, the quotas of members in the Fund will increase to SDR 146.0 billion. At April 30, 1993, 162 members had made increases of quota payments amounting to SDR 47.5 billion.

During the year ended April 30, 1993, the Fund's membership increased by seventeen new members. These include fourteen states of the former Soviet Union (Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Moldova, the Russian Federation, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan), the Marshall Islands, San Marino, and Switzerland. In addition, the successor states to the former Czech and Slovak Federal Republic and some successor states to the former Socialist Federal Republic of Yugoslavia became members of the Fund.

On January 1, 1993, the former Czech and Slovak Federal Republic ceased to exist and to be a member of the Fund, and the Czech Republic and the Slovak Republic succeeded to the assets and liabilities of the former Czech and Slovak Federal Republic in the Fund for respectively 69.61 percent and 30.39 percent of the share of the former Czech and Slovak Federal Republic, and became members of the Fund with a share of the quota of the former Czech and Slovak Federal Republic equal to their share in the assets and liabilities.

On December 14, 1992, the former Socialist Federal Republic of Yugoslavia ceased to exist and to be a member of the Fund, and the Fund determined that the respective shares of the successor states to the assets and liabilities of the former Socialist Federal Republic of Yugoslavia were as follows:

	Share
	In percent
Republic of Bosnia and Herzegovina	13.20
Republic of Croatia	28.49
Former Yugoslav Republic of Macedonia	5.40
Republic of Slovenia	16.39
Federal Republic of Yugoslavia (Serbia/Montenegro)	36.52
Total	100.00

Each successor state has agreed to its share in the assets and liabilities of the former Socialist Federal Republic of Yugoslavia in the Fund as determined by the Fund. Each successor may succeed to the membership of the former Socialist Federal Republic of Yugoslavia in the Fund if certain conditions are met, including the settlement of its proportionate share of the overdue obligations to the Fund. As at April 30, 1993, the Republic of Croatia, the Republic of Slovenia, and the former Yugoslav Republic of Macedonia had succeeded to membership in the Fund, effective December 14, 1992. An amount of SDR 82.4 million included in other receivables represents the net claim of the Fund (the Fund's holdings of currencies and securities less quota) against the two successor states to the former Socialist Federal Republic of Yugoslavia that have not succeeded to membership in the Fund as of April 30, 1993.

Changes in the Fund's holdings of members' currencies and securities for the year ended April 30, 1993 were as follows:

	April 30, 1993	April 30, 1992	Net Change
	In millions of SDRs		
Members' quotas	144,606	91,222	53,384
Less quota subscription receivable	(74)	(69)	(5)
Less other receivable	(82)	—	(82)
	144,450	91,153	53,297
Members' outstanding use of Fund resources	24,635	23,432	1,203
Members' outstanding reserve tranche positions	(30,264)	(21,869)	(8,395)
Administrative currency balances	7	4	3
Currencies and securities	138,828	92,720	46,108

Each member is obligated to maintain the value of the balances of its currency held by the Fund in terms of the SDR except for amounts held in Borrowed Resources Suspense Accounts, the Special Disbursement Account, and the Investment Account. Whenever the Fund revalues its holdings of a member's currency, a receivable or a payable is established for the amount of currency payable by or to the member in order to maintain the SDR value of the Fund's holdings of the currency. The balances of the receivables or payables are reflected in the Fund's total currency holdings. At April 30, 1993, when all holdings of currency of members were revalued, receivables and payables arising from valuation adjustments amounted to SDR 21,700.8 million and SDR 804.6 million, respectively (SDR 11,012.3 million and SDR 494.5 million, respectively, at April 30, 1992). At June 21, 1993, the amounts receivable were SDR 15,065.9 million and the amounts payable were SDR 766.2 million.

The Fund's holdings of members' currencies at April 30, 1993 are shown in Schedule 1.

3. SDR Holdings

SDRs are reserve assets created by the Fund and allocated to members participating in the SDR Department. Although SDRs are not allocated to the Fund, the Fund may acquire, hold, and dispose of SDRs through the General Resources Account. The Fund receives SDRs from members in the settlement of their financial obligations to the Fund and uses SDRs in transactions and operations between the Fund and its members. The Fund earns interest on its SDR holdings at the same rate as all other holders of SDRs.

4. Gold Holdings

At April 30, 1993 and April 30, 1992, the Fund held 3,217,341 kilograms equal to 103,439,916 fine ounces of gold at designated depositories. Gold held by the Fund is valued on the basis of 0.888671 gram of fine gold per SDR, which is equivalent to SDR 35 per fine ounce, except that 21,396 fine ounces held by the Fund on behalf of a member were acquired on December 14, 1992 at market value, for a total amount of SDR 5.1 million in partial settlement of the member's overdue obligations.

5. Fund Operations

Changes in the outstanding use of Fund credit under various facilities during the year ended April 30, 1993 were as follows:

	April 30, 1992	Purchases	Repurchases	April 30, 1993
	In millions of SDRs			
Regular facilities	5,869	1,905	1,008	6,766
Compensatory and contingency financing	5,322	90	1,205	4,207
Extended Fund facility	5,583	2,150	864	6,869
Supplementary financing facility	260	—	62	198
Enlarged access	6,398	1,139	942	6,595
Total	23,432	5,284	4,081	24,635

Members' use of Fund credit is shown in Schedule 1.

Charges

The Fund levies periodic charges on its holdings of members' currencies that derive from their use of Fund credit. The rate of charge on the use of the Fund's own resources is set to attain a positive net income after considering the Fund's estimated income and expense. This rate is adjusted periodically to offset the effect on income as a result of the deferral of charges and to finance the additions to Special Contingent Accounts, which are further discussed below. A separate rate of charge, based on the average cost of borrowing, was levied on the use of resources financed by the Fund's borrowing. However, effective May 1, 1993, a single unified rate of charge shall apply to the use of Fund resources, and burden-sharing adjustments will also be made to the use of the Fund's borrowed resources. Special charges are also levied on holdings that are not repurchased when due, and on charges that are not settled when due, except that these charges do not apply to members that are six months or more overdue to the Fund.

A service charge of 1/2 of 1 percent is also levied by the Fund on each purchase, except a reserve tranche purchase. The Fund charges a stand-by fee of 1/4 of 1 percent under a stand-by or extended arrangement, which is refunded in proportion to purchases made under the arrangement. If the full amount of an arrangement is not drawn, the balance of the stand-by fee is taken into income by the Fund upon the expiration of the arrangement. Stand-by fees included in other income for the year ended April 30, 1993 amounted to SDR 12.1 million (SDR 3.7 million in 1992).

At April 30, 1993, the total holdings on which the Fund levied charges amounted to SDR 24,635 million (SDR 23,432 million at April 30, 1992).

Remuneration

The Fund pays remuneration on a member's remunerated reserve tranche position. The rate of remuneration is equal to the SDR interest rate, and is adjusted within limits to offset the effect on income as a result of the deferral of charges and to finance the additions to the Special Contingent Accounts. A remunerated reserve tranche position is the amount by which the Fund's holdings of a member's currency (excluding holdings that derive from the use of Fund credit) is below the member's norm.

At April 30, 1993, the total creditor positions on which the Fund paid remuneration amounted to SDR 23,876 million (SDR 16,275 million at April 30, 1992). The norm varies for each member and on average amounted to 94.45 percent of quota at April 30, 1993.

Overdue Obligations

At April 30, 1993, ten members were six months or more overdue in settling their financial obligations to the Fund (ten members at April 30, 1992); nine of these members were overdue to the General Department (nine at April 30, 1992). Credit extended to these members through the General Resources Account and the Special Disbursement Account, including SAF loans, amounted to SDR 1,951 million as of April 30, 1993 (SDR 2,463 million as of April 30, 1992). Three of these members (Sierra Leone, Viet Nam, and Zambia) have been settling obligations as they fall due and are to varying degrees formulating and implementing economic adjustment programs that could lead to the settlement of their arrears. On March 18, 1993, Peru fully settled its overdue financial obligations to the Fund. This restored Peru's eligibility to use the Fund's general resources.

Overdue repurchases, and charges of the nine members (nine at April 30, 1992) that are six months or more overdue to the General Department were as follows:

	Repurchases		Charges	
	1993	1992	1993	1992
	In millions of SDRs			
Total overdue	1,708	2,152	1,026	1,122
Overdue for six months or more	1,687	2,112	988	1,045
Overdue for three years or more	1,427	1,682	615	578

The type and duration of the arrears of these members were as follows:

Member	Repurchases	Charges and SAF Interest	Total	Longest Overdue Obligation
	In millions of SDRs			
Cambodia	10.8	12.8	23.6	August 1975
Haiti	4.8	1.7	6.5	November 1991
Liberia	201.6	157.5	359.1	January 1985
Sierra Leone	48.6	28.0	76.6	January 1987
Somalia	95.1	51.5	146.6	July 1987
Sudan	604.3	444.2	1,048.5	July 1984
Viet Nam	28.4	23.2	51.6	February 1984
Zaïre	122.1	23.4	145.5	February 1991
Zambia	592.7	283.5	876.2	July 1986
Total	1,708.4	1,025.8	2,734.2	

In addition, the Republic of Bosnia and Herzegovina and the Federal Republic of Yugoslavia (Serbia/Montenegro) were also six months or more overdue in meeting financial obligations to the Fund. Overdue repurchases and charges due by three successor states to the former Socialist Federal Republic of Yugoslavia amounted to SDR 33.8 million at April 30, 1993.

Strengthened Cooperative Strategy

In March 1990, the Fund agreed on a strengthened cooperative strategy aimed at resolving the issue of overdue obligations to the Fund. Three major elements form the basis of the cooperative strategy, namely, (i) preventative measures; (ii) remedial and deterrent measures; and (iii) intensified collaboration and the rights approach. Under the intensified collaborative approach, the Fund has developed the Fund-monitored programs and rights accumulation programs, which permit a member with protracted arrears to the Fund to establish a track record of performance related to policy implementation and payments. A rights accumulation program allows the member to earn rights toward future financing through the implementation of a comprehensive economic program. Rights would be encashed under a successor arrangement after clearance of arrears and when all the requirements for that successor arrangement are met.

Deferred Income and Special Contingent Accounts

It is the policy of the Fund to exclude from current income charges due by members that are six months or more overdue in meeting payments to the Fund unless the member is current in the payment of charges. Charges subsequently accrued will also be excluded from income unless the member becomes current in the payment of charges. Charges excluded from income are recorded as deferred income. Charges due and accrued by members that are six months or more overdue and that have been deferred amounted to SDR 1,058 million at April 30, 1993 (SDR 1,182 million at April 30, 1992).

Since May 1, 1986, the Fund adopted decisions to give effect to the Principles of Burden Sharing whereby debtor and creditor members share the financial consequences of overdue obligations. An amount equal to deferred charges (excluding special charges) is generated and included in the Fund's income each quarter by an adjustment of the rate of charge and the rate of remuneration. However, the average rate of remuneration is not to be reduced below 85 percent of the SDR interest rate for the financing of deferred charges and the first Special Contingent Account (SCA-1). The proceeds from the settlement of overdue charges are distributed to members that paid additional charges or received reduced remuneration when and to the extent that deferred charges that gave rise to adjustments are paid.

In view of the existence of protracted overdue obligations, the Fund accumulates precautionary balances, inter alia, in the Special Contingent Accounts. At April 30, 1993, SDR 911.9 million was held in the first and second Special Contingent Accounts (SCA-1 and SCA-2). A total of SDR 435.8 million was held in the SCA-1 (SDR 358.0 million at April 30, 1992) and SDR 476.1 million was held in the SCA-2 at April 30, 1993 (SDR 298.6 million at April 30, 1992). The Special Contingent Accounts are financed by quarterly adjustments to the rate of charge and the rate of remuneration, and balances in the SCA-1 are to be distributed to the members that share the cost of financing it when there are no outstanding overdue charges and repurchases, or at such earlier time as the Fund may decide.

The SCA-2 became effective on July 1, 1990 (as part of the strengthened cooperative strategy) and it is projected to accumulate SDR 1 billion over a period of approximately five years. It is financed by a further adjustment to the rate of charge and to the rate of remuneration, subject to the floor to the rate of remuneration of 80 percent of the SDR interest rate. Resources accumulated in SCA-2 are to safeguard against potential losses arising from purchases made under a successor arrangement after a rights accumulation program has been successfully completed by members with protracted arrears to the Fund at the end of 1989, while at the same time providing additional liquidity to assist in the financing of such purchases. Refunds of contributions are to be made after all repurchases under the rights approach have been made, or at such earlier date as the Fund may determine. Purchases following the completion and encashment of a rights accumulation program amount to SDR 621 million.

The allocations to the SCA-1 and SCA-2, the costs of deferred charges and corresponding adjustments to charges and remuneration during financial year 1993 were as follows:

	Total Costs and Allocation	Adjustments to: Charges	Adjustments to: Remuneration
	In millions of SDRs		
Deferred Charges	148	74	74
SCA-1	78	39	39
SCA-2	177	63	114
Total	255	102	153
Refunds of deferred charges	246	123	123
Settlements in excess of deferred charges	98	49	49
Burden-sharing contributions net of refunds	156	53	103

The cumulative charges that have been deferred since May 1, 1986, and have resulted in adjustments to charges and remuneration, amount to SDR 779 million (SDR 878 million at April 30, 1992). The cumulative refunds for the same period amount to SDR 556.8 million (SDR 319.0 million at April 30, 1992).

6. Reserves

The Fund determines annually what part of its net income shall be placed to the General Reserve or to the Special Reserve, and what part, if any, shall be distributed. The Articles of Agreement permit the Fund to use the Special Reserve for any purpose for which it may use the General Reserve, except distribution. An administrative deficit for any financial year must be charged first against the Special Reserve.

7. Borrowing

Outstanding borrowing by the Fund was as follows:

	April 30, 1992	Repayment of Borrowings	April 30, 1993
	In millions of SDRs		
Enlarged access	725	350	375
Other	2,985	—	2,985
Total	3,710	350	3,360

Scheduled repayments of outstanding borrowing by the Fund are as follows:

Financial Year	In millions of SDRs
1994	300
1995	1,100
1996	1,960
Total	3,360

Bilateral Arrangements with Japan

In December 1986, the Government of Japan agreed to make available to the Fund SDR 3 billion to help finance the Fund's support of adjustment programs of member countries. Calls were made by the Fund over a period of four years until this borrowing was fully drawn by the end of March 1991. The final maturity of each call is five years from the initial date of the call. Interest on amounts borrowed is based on the weighted average of six-month domestic interest rates in the countries that make up the currency basket of the SDR.

Enlarged Access

The policy on enlarged access became operational in May 1981. The Fund entered into borrowing agreements under which the lenders made resources equal to SDR 13,475 million available to the Fund to finance purchases by members under the policy. The maturities of borrowing by the Fund under these agreements vary from two to seven years. Interest rates on amounts borrowed vary and are based on Eurocurrency deposit rates and weighted average yields of domestic instruments denominated in the five currencies in the SDR valuation basket.

After full use of the borrowing agreements, the Fund decided in September 1990 that ordinary resources would be substituted to meet commitments of borrowed resources in financing purchases under arrangements approved under the enlarged access policy. Access to the use of credit under the enlarged access policy was terminated on November 11, 1992, following the effectiveness of quota increases under the Ninth General Review.

General Arrangements to Borrow

Under the General Arrangements to Borrow (GAB) the Fund may borrow up to SDR 18.5 billion when supplementary resources are needed to forestall or to cope with an impairment of the international monetary system. The GAB became effective on October 24, 1962 and has been extended through December 25, 1998. At April 30, 1993 the GAB had not been activated.

Borrowed Resources Suspense Accounts

At April 30, 1993, there were no borrowed resources held in suspense pending disbursement.

8. Arrangements in the General Department

At April 30, 1993, 34 arrangements were in effect and undrawn balances under these arrangements amounted to SDR 5,380 million. These arrangements are listed in Schedule 3.

9. Administrative Expenses

In financial year 1993, the Fund incurred administrative expenses for personnel (SDR 189.6 million), travel (SDR 47.4 million), and other administrative needs (SDR 26.3 million). The General Resources Account is reimbursed for expenses incurred in administering the SDR Department, the Special Disbursement Account, and the Enhanced Structural Adjustment Facility Trust.

The Fund has a defined benefit Staff Retirement Plan ("the Plan"). All contributions to the Plan and all other assets, liabilities, and income of the Plan are administered separately from the General Department and can be used only for the benefit of the participants in the Plan and their beneficiaries. Participants contribute a fixed percentage of their pensionable remuneration. The Fund contributes the remainder of the cost of funding the Plan and pays certain administrative costs of the Plan.

The Fund uses the aggregate actuarial method for determining its pension cost and for funding the Plan. Under this method, the Fund's contributions, including those for cost of living adjustments and for experience gains and losses, are spread over the expected future working lifetimes of the participants in the Plan and are determined annually as a percent of pensionable remuneration of the participants. The funding and cost of the Plan for the year ended April 30, 1993 is based upon an actuarial valuation at April 30, 1991. The retirement plan is administered by the Staff Retirement Plan and Supplemental Retirement Benefit Plan.

The Fund's current policy is to account for the cost of retirement benefits other than pensions, such as contribution to the medical and group life insurance plans on a pay-as-you-go basis.

Schedule 1

GENERAL DEPARTMENT

QUOTAS, FUND'S HOLDINGS OF CURRENCIES, MEMBERS' USE OF FUND RESOURCES, AND RESERVE TRANCHE POSITIONS

as at April 30, 1993

(In thousands of SDRs)

		Fund's Holdings of Currencies[1]			
	Quotas	Total	Percent of Quota	Use of Fund Resources	Reserve Tranche Positions
Afghanistan	120,400	115,488	95.9	—	4,928
Albania	35,300	48,425	137.2	13,125	5
Algeria	914,400	1,433,711	156.8	519,313	3
Angola	207,300	207,445	100.1	—	—
Antigua and Barbuda	8,500	8,499	100.0	—	1
Argentina	1,537,100	3,971,686	258.4	2,434,560	—
Armenia	67,500	67,500	100.0	—	5
Australia	2,333,200	1,921,483	82.4	—	411,735
Austria	1,188,300	802,327	67.5	—	385,986
Azerbaijan	117,000	117,000	100.0	—	10
Bahamas, The	94,900	88,663	93.4	—	6,239
Bahrain	82,800	42,941	51.9	—	39,868
Bangladesh	392,500	419,424	106.9	26,953	56
Barbados	48,900	85,723	175.3	36,840	25
Belarus	280,400	280,400	100.0	—	20
Belgium	3,102,300	2,534,666	81.7	—	567,685
Belize	13,500	10,587	78.4	—	2,914
Benin	45,300	43,244	95.5	—	2,060
Bhutan	4,500	3,930	87.3	—	570
Bolivia	126,200	122,999	97.5	5,660	8,875
Botswana	36,600	21,817	59.6	—	14,790
Brazil	2,170,800	2,670,580	123.0	499,367	—
Bulgaria	464,900	886,075	190.6	459,900	38,730
Burkina Faso	44,200	37,001	83.7	—	7,201
Burundi	57,200	51,346	89.8	—	5,860
Cambodia	25,000	30,325	121.3	6,250	926
Cameroon	135,100	169,840	125.7	35,038	318
Canada	4,320,300	3,614,443	83.7	—	705,888
Cape Verde	7,000	6,999	100.0	—	1
Central African Republic	41,200	41,515	100.8	406	94
Chad	41,300	41,026	99.3	—	275
Chile	621,700	1,098,525	176.7	476,833	12
China	3,385,200	2,870,418	84.8	—	514,786
Colombia	561,300	494,156	88.0	—	67,145
Comoros	6,500	5,998	92.3	—	504
Congo	57,900	61,431	106.1	4,000	469
Costa Rica	119,000	169,568	142.5	59,280	8,725
Côte d'Ivoire	238,200	417,135	175.1	178,960	30
Croatia, Republic of	261,600	288,069	110.1	26,458	—
Cyprus	100,000	74,561	74.6	—	25,453
Czech Republic	589,600	1,440,276	244.3	850,676	3
Denmark	1,069,900	745,549	69.7	—	324,355
Djibouti	11,500	9,388	81.6	—	2,112
Dominica	6,000	6,085	101.4	93	9
Dominican Republic	158,800	246,161	155.0	87,361	—

Schedule 1 *(continued)*

	Quotas	Fund's Holdings of Currencies[1] Total	Percent of Quota	Use of Fund Resources	Reserve Tranche Positions
Ecuador	219,200	263,267	120.1	61,163	17,125
Egypt	678,400	771,862	113.8	147,200	53,750
El Salvador	125,600	125,603	100.0	—	—
Equatorial Guinea	24,300	24,309	100.0	—	—
Estonia	46,500	59,288	127.5	12,788	3
Ethiopia	98,300	91,336	92.9	—	6,978
Fiji	51,100	41,170	80.6	—	9,934
Finland	861,800	622,298	72.2	—	239,504
France	7,414,600	5,642,926	76.1	—	1,772,021
Gabon	110,300	161,016	146.0	50,760	52
Gambia, The	22,900	21,418	93.5	—	1,485
Georgia	111,000	111,000	100.0	—	10
Germany	8,241,500	5,268,826	63.9	—	2,972,759
Ghana	274,000	360,189	131.5	103,560	17,375
Greece	587,600	470,746	80.1	—	116,854
Grenada	8,500	8,501	100.0	—	—
Guatemala	153,800	164,996	107.3	11,190	—
Guinea	78,700	78,671	100.0	—	31
Guinea-Bissau	10,500	10,500	100.0	—	[2]
Guyana	67,200	116,702	173.7	49,500	—
Haiti	44,100	59,056	133.9	15,000	45
Honduras	95,000	169,571	178.5	74,570	—
Hungary	754,800	1,566,380	207.5	867,674	56,097
Iceland	85,300	74,832	87.7	—	10,470
India	3,055,500	6,259,309	204.9	3,416,405	212,603
Indonesia	1,497,600	1,303,205	87.0	—	194,396
Iran, Islamic Republic of	1,078,500	1,078,508	100.0	—	—
Iraq	504,000	504,013	100.0	—	—
Ireland	525,000	361,852	68.9	—	163,152
Israel	666,200	844,844	126.8	178,640	—
Italy	4,590,700	2,867,299	62.5	—	1,723,402
Jamaica	200,900	444,728	221.4	243,763	—
Japan	8,241,500	5,086,445	61.7	—	3,155,070
Jordan	121,700	201,317	165.4	79,619	2
Kazakhstan	247,500	247,500	100.0	—	5
Kenya	199,400	208,933	104.8	21,738	12,218
Kiribati	4,000	4,001	100.0	—	—
Korea	799,600	480,533	60.1	—	319,075
Kuwait	995,200	818,383	82.2	—	176,826
Kyrgyzstan	64,500	64,500	100.0	—	5
Lao People's Democratic Rep.	39,100	39,100	100.0	—	—
Latvia	91,500	126,575	138.3	35,075	5
Lebanon	78,700	59,869	76.1	—	18,833
Lesotho	23,900	20,393	85.3	—	3,512
Liberia	71,300	272,836	382.7	201,554	28
Libya	817,600	498,628	61.0	—	318,980
Lithuania	103,500	133,975	129.4	30,475	5
Luxembourg	135,500	110,577	81.6	—	24,931
Macedonia, former Yugoslav Rep. of	33,500	—	—	5,015	—
Madagascar	90,400	100,468	111.1	10,068	[2]
Malawi	50,900	51,795	101.8	3,112	2,224
Malaysia	832,700	604,040	72.5	—	228,666
Maldives	5,500	4,621	84.0	—	879
Mali	68,900	70,851	102.8	10,637	8,688
Malta	67,500	42,937	63.6	—	24,586

Schedule 1 *(continued)*

	Quotas	Fund's Holdings of Currencies[1] Total	Percent of Quota	Use of Fund Resources	Reserve Tranche Positions
Marshall Islands	2,500	2,500	100.0	—	1
Mauritania	47,500	47,509	100.0	—	—
Mauritius	73,300	67,089	91.5	—	6,216
Mexico	1,753,300	5,906,211	336.9	4,152,893	—
Moldova	90,000	103,500	115.0	13,500	5
Mongolia	37,100	50,850	137.1	13,750	5
Morocco	427,700	695,243	162.6	297,854	30,313
Mozambique	84,000	84,000	100.0	—	7
Myanmar	184,900	184,903	100.0	—	—
Namibia	99,600	99,593	100.0	—	9
Nepal	52,000	46,277	89.0	—	5,730
Netherlands	3,444,200	2,647,064	76.9	—	797,251
New Zealand	650,100	543,465	83.6	—	106,636
Nicaragua	96,100	113,140	117.7	17,030	—
Niger	48,300	44,219	91.6	4,479	8,561
Nigeria	1,281,600	1,281,591	100.0	—	68
Norway	1,104,600	669,551	60.6	—	435,054
Oman	119,400	80,148	67.1	—	39,364
Pakistan	758,200	1,163,374	153.4	405,226	64
Panama	149,600	214,572	143.4	76,821	11,861
Papua New Guinea	95,300	138,101	144.9	42,835	42
Paraguay	72,100	55,163	76.5	—	16,940
Peru	466,100	1,118,077	239.9	651,944	—
Philippines	633,400	1,459,867	230.5	913,553	87,104
Poland	988,500	1,507,977	152.6	596,600	77,125
Portugal	557,600	335,789	60.2	—	221,823
Qatar	190,500	154,084	80.9	—	36,417
Romania	754,100	1,505,005	199.6	750,900	—
Russian Federation	4,313,100	5,031,746	116.7	719,000	702
Rwanda	59,500	49,727	83.6	—	9,791
St. Kitts and Nevis	6,500	6,488	99.8	—	15
St. Lucia	11,000	11,000	100.0	—	1
St. Vincent	6,000	5,500	91.7	—	500
San Marino	10,000	7,650	76.5	—	2,352
Sao Tome and Principe	5,500	5,503	100.1	—	—
Saudi Arabia	5,130,600	4,396,855	85.7	—	733,751
Senegal	118,900	127,195	107.0	9,363	1,075
Seychelles	6,000	5,197	86.6	—	804
Sierra Leone	57,900	106,480	183.9	48,591	24
Singapore	357,600	247,439	69.2	—	110,213
Slovak Republic	257,400	598,229	232.4	340,824	—
Slovenia, Republic of	150,500	152,852	101.6	15,221	12,875
Solomon Islands	7,500	6,967	92.9	—	538
Somalia	44,200	140,907	318.8	96,701	—
South Africa	1,365,400	1,365,355	100.0	—	46
Spain	1,935,400	1,135,530	58.7	—	799,876
Sri Lanka	303,600	283,414	93.4	—	20,189
Sudan	169,700	773,976	456.1	604,256	11
Suriname	49,300	49,301	100.0	—	—
Swaziland	36,500	33,523	91.8	—	3,002
Sweden	1,614,000	1,162,637	72.0	—	451,366
Switzerland	2,470,400	1,895,422	76.7	—	575,004
Syrian Arab Republic	139,100	139,103	100.0	—	5
Tajikistan	40,000	—	—	—	—
Tanzania	146,900	136,939	93.2	—	9,975

Schedule 1 *(concluded)*

	Quotas	Fund's Holdings of Currencies[1] Total	Percent of Quota	Use of Fund Resources	Reserve Tranche Positions
Thailand	573,900	342,977	59.8	—	230,930
Togo	54,300	61,755	113.7	7,698	248
Tonga	5,000	3,818	76.4	—	1,184
Trinidad and Tobago	246,800	425,536	172.4	178,744	9
Tunisia	206,000	413,278	200.6	207,300	25
Turkey	642,000	609,728	95.0	—	32,275
Turkmenistan	48,000	48,000	100.0	—	5
Uganda	133,900	133,907	100.0	—	—
Ukraine	997,300	997,300	100.0	—	10
United Arab Emirates	392,100	239,600	61.1	—	152,501
United Kingdom	7,414,600	6,008,482	81.0	—	1,406,132
United States	26,526,800	17,877,290	67.4	—	8,653,476
Uruguay	225,300	244,042	108.3	34,110	15,375
Uzbekistan	199,500	199,500	100.0	—	5
Vanuatu	12,500	10,012	80.1	—	2,488
Venezuela	1,951,300	3,906,240	200.2	2,099,888	144,950
Viet Nam	176,800	205,195	116.1	28,395	5
Western Samoa	8,500	7,837	92.2	—	664
Yemen, Republic of	176,500	176,490	100.0	—	13
Zaïre	291,000	475,807	163.5	184,807	—
Zambia	270,300	863,011	319.3	592,729	19
Zimbabwe	261,300	363,747	139.2	102,500	60
Total	144,606,200	138,828,275		24,558,088	30,264,339

[1]Includes nonnegotiable, non-interest-bearing notes that members are entitled to issue in substitution for currencies. These notes are encashable by the Fund on demand.
[2]Less than SDR 500.

Schedule 2

GENERAL DEPARTMENT

SCHEDULE OF REPURCHASES AND REPAYMENTS OF LOANS

as at April 30, 1993

(In thousands of SDRs)

Financial Year Ending April 30	General Resources Account[1]	Special Disbursement Account
1994	5,150,569[2]	135,586
1995	4,088,233	222,336
1996	4,780,904	321,992
1997	3,992,707	345,129
1998	2,543,815	328,619
1999	1,511,346	259,176
2000	1,102,643	161,055
2001	699,577	61,399
2002	459,237	36,388
2003	310,995	7,572
Total	24,640,026	1,879,252

[1]A member is entitled to repurchase at any time holdings of its currency subject to charges and is expected to make repurchases as and when its balance of payments and reserve position improve.

[2]Includes reserve tranche purchases made prior to April 1, 1978, which are subject to repurchase, amounting to SDR 4.6 million.

Schedule 3

GENERAL DEPARTMENT

STATUS OF ARRANGEMENTS

as at April 30, 1993

(In thousands of SDRs)

Member	Date of Arrangement	Expiration	Total Amount Agreed	Undrawn Balance
GENERAL RESOURCES ACCOUNT				
STAND-BY ARRANGEMENTS				
Albania	August 26, 1992	August 25, 1993	20,000	6,875
Barbados	February 7, 1992	May 31, 1993	23,890	9,220
Brazil	January 29, 1992	August 31, 1993	1,500,000	1,372,500
Costa Rica	April 19, 1993	February 18, 1994	21,040	21,040
Czech Republic	March 17, 1993	March 16, 1994	177,000	107,000
Egypt	May 17, 1991	May 31, 1993	234,400	87,200
Estonia	September 16, 1992	September 15, 1993	27,900	15,113
Guatemala	December 18, 1992	March 17, 1994	54,000	54,000
India	October 31, 1991	June 30, 1993	1,656,000	231,000
Jordan	February 26, 1992	August 25, 1993	44,400	11,100
Latvia	September 14, 1992	September 13, 1993	54,900	19,825
Lithuania	October 21, 1992	September 20, 1993	56,925	26,450
Panama	February 24, 1992	December 23, 1993	93,680	58,830
Poland	March 8, 1993	March 7, 1994	476,000	476,000
Uruguay	July 1, 1992	June 30, 1993	50,000	34,025
TOTAL STAND-BY ARRANGEMENTS			4,490,135	2,530,178
EXTENDED ARRANGEMENTS				
Argentina	March 31, 1992	March 30, 1995	2,483,150	1,182,163
Hungary	February 20, 1991	February 19, 1994	1,114,000	556,765
Jamaica	December 11, 1992	December 10, 1995	109,125	100,125
Mexico	May 26, 1989	May 25, 1993	3,729,600	466,200
Peru	March 18, 1993	March 17, 1996	1,018,100	375,414
Zimbabwe	September 11, 1992	September 10, 1995	114,600	83,300
TOTAL EXTENDED ARRANGEMENT			8,568,575	2,763,967
TOTAL GENERAL RESOURCES ACCOUNT			13,058,710	5,294,145

Schedule 3 *(concluded)*

Member	Date of Arrangement	Expiration	Total Amount Agreed	Undrawn Balance
SPECIAL DISBURSEMENT ACCOUNT				
STRUCTURAL ADJUSTMENT FACILITY				
Comoros	June 21, 1991	June 20, 1994	3,150	2,250
Ethiopia	October 28, 1992	October 27, 1995	49,420	35,300
Rwanda	April 24, 1991	April 23, 1994	30,660	21,900
TOTAL STRUCTURAL ADJUSTMENT FACILITY			83,230	59,450
SAF RESOURCES COMMITTED UNDER ESAF PROGRAMS[1]				
Benin	January 25, 1993	January 24, 1996	7,000	3,500
Bolivia	July 27, 1988	September 10, 1993	45,350	—
Burkina Faso	March 31, 1993	March 30, 1996	15,800	11,060
Equatorial Guinea	February 3, 1993	February 2, 1996	2,950	1,475
Guyana	July 13, 1990	December 20, 1993	34,440	4,920
Malawi	July 15, 1988	May 31, 1993	26,040	—
Mali	August 28, 1992	August 27, 1995	10,160	5,080
Mauritania	December 9, 1992	December 8, 1994	3,410	—
Togo	May 31, 1989	May 19, 1993	19,200	—
Uganda	April 17, 1989	November 24, 1993	19,920	—
			184,270	26,035
TOTAL SPECIAL DISBURSEMENT ACCOUNT			267,500	85,485
TOTAL GENERAL DEPARTMENT			13,326,210	5,379,630

[1] Resources under enhanced structural adjustment facility arrangements may be provided from the structural adjustment facility within the Special Disbursement Account and from the Enhanced Structural Adjustment Facility Trust.

SDR DEPARTMENT

STATEMENTS OF ALLOCATIONS AND HOLDINGS

as at April 30, 1993 and 1992

(In thousands of SDRs)

	1993	1992
ALLOCATIONS		
Net cumulative allocations of SDRs	21,433,330	21,433,330
Overdue charges	49,860	37,979
TOTAL ALLOCATIONS	21,483,190	21,471,309
HOLDINGS		
Participants with holdings above allocations		
Allocations	6,663,537	10,486,306
Net receipts of SDRs	2,196,147	6,063,552
	8,859,684	16,549,858
Participants with holdings below allocations		
Allocations	14,769,793	10,947,024
Net uses of SDRs	10,124,205	6,760,012
	4,645,588	4,187,012
Total holdings of participants	13,505,272	20,736,870
General Resources Account	7,930,129	680,338
Holdings of SDRs by Prescribed Holders	47,789	54,101
TOTAL HOLDINGS	21,483,190	21,471,309

The accompanying note is an integral part of the financial statements.

/s/ David Williams
Treasurer

/s/ M. Camdessus
Managing Director

SDR DEPARTMENT

STATEMENTS OF RECEIPT AND USE

for the years ended April 30, 1993 and 1992

(In thousands of SDRs)

	Participants	General Resources Account	Prescribed Holders	Total 1993	Total 1992
Total holdings at beginning of the year	20,736,870	680,338	54,101	21,471,309	21,463,626
Receipt of SDRs					
Transfers among participants and prescribed holders					
Transactions by agreement	4,989,324		66,659	5,055,983	5,018,750
Operations					
Loans	2,766,979			2,766,979	11,350
Settlement of financial obligations	2,772,491		70,892	2,843,383	228,938
Fund-related operations					
Subsidy payments	120			120	194
SAF/ESAF loans	27,745			27,745	52,385
SAF repayments and interest			12,599	12,599	3,367
Trust Fund repayments and interest			65	65	4
Special charges on SAF, ESAF, and Trust Fund			254	254	118
ESAF contributions and payments	6,640		40,491	47,131	87,458
ESAF repayments and interest			6,036	6,036	4,996
Net interest on SDRs	333,549		3,628	337,177	440,537
Transfers from participants to General Resources Account					
Repurchases		583,122		583,122	1,838,436
Charges		1,797,811		1,797,811	1,882,573
Quota payments		12,643,192		12,643,192	11,350
Interest on SDRs		127,881		127,881	57,467
Assessment on SDR allocation		2,834		2,834	4,053
Adjustments		5		5	400
Transfers from General Resources Account to participants and prescribed holders					
Purchases	5,768,524			5,768,524	1,881,392
Repayments of Fund borrowings	350,000			350,000	500,000
Interest on Fund borrowings	91,812			91,812	76,704
In exchange for currencies of other members					
Acquisitions to pay charges	699,354			699,354	252,626
Remuneration	922,414			922,414	1,008,574
Other					
Refunds and adjustments	72,950			72,950	88,925
Total receipts	18,801,902	15,154,845	200,624	34,157,371	13,450,597

SDR DEPARTMENT

STATEMENTS OF RECEIPT AND USE *(concluded)*

for the years ended April 30, 1993 and 1992

(In thousands of SDRs)

	Participants	General Resources Account	Prescribed Holders	Total 1993	Total 1992
Use of SDRs					
Transfers among participants and prescribed holders					
Transactions by agreement	4,889,065		166,918	5,055,983	5,018,750
Operations					
Loans	2,766,979			2,766,979	11,350
Settlement of financial obligations	2,837,870		5,513	2,843,383	228,938
Fund-related operations					
Subsidy payments			120	120	194
SAF/ESAF loans			27,745	27,745	52,385
SAF repayments and interest	12,599			12,599	3,367
Trust Fund repayments and interest	65			65	4
Special charges on SAF, ESAF, and Trust Fund	254			254	118
ESAF contributions and payments	40,491		6,640	47,131	87,458
ESAF repayments and interest	6,036			6,036	4,996
Transfers from participants to General Resources Account					
Repurchases	583,122			583,122	1,838,436
Charges	1,797,811			1,797,811	1,882,573
Quota payments	12,643,192			12,643,192	11,350
Assessment on SDR allocation	2,834			2,834	4,053
Adjustments	5			5	400
Transfers from General Resources Account to participants and prescribed holders					
Purchases		5,768,524		5,768,524	1,881,392
Repayments of Fund borrowings		350,000		350,000	500,000
Interest on Fund borrowings		91,812		91,812	76,704
In exchange for currencies of other members					
Acquisitions to pay charges		699,354		699,354	252,626
Remuneration		922,414		922,414	1,008,574
Other					
Refunds and adjustments		72,950		72,950	88,925
Charges paid in the SDR Department					
Net charges due	465,058			465,058	498,004
Charges not paid when due	(36,307)			(36,307)	(35,794)
Settlement of unpaid charges	24,426			24,426	28,111
Total uses	26,033,500	7,905,054	206,936	34,145,490	13,442,914
Total holdings at end of the year	13,505,272	7,930,129	47,789	21,483,190	21,471,309

The accompanying note is an integral part of the financial statements.

SDR DEPARTMENT

NOTE TO THE FINANCIAL STATEMENTS

April 30, 1993 and 1992

SDR Department

All transactions and operations involving SDRs are conducted through the SDR Department. Each member of the Fund can become a participant in the SDR Department. At April 30, 1993, all members of the Fund were participants in the SDR Department. SDRs are allocated by the Fund to members that are participants in the SDR Department in proportion to their quotas in the Fund. Allocations were made in 1970, 1971, and 1972, totaling SDR 9.3 billion. Further allocations were made in 1979, 1980, and 1981, totaling SDR 12.1 billion. SDRs do not constitute claims by holders against the Fund to provide currency. However, upon termination of participation or liquidation of the SDR Department, the Fund will provide to holders the currencies received from the withdrawing participants. The Fund is empowered to prescribe certain official entities as holders of SDRs: at April 30, 1993, fifteen institutions have been prescribed as holders. These prescribed holders do not receive allocations and cannot use or receive SDRs in designation.

Uses of SDRs

The Fund ensures, by designating participants to provide freely usable currency in exchange for SDRs, that a participant can use its SDRs to obtain an equivalent amount of currency if it has a need because of its balance of payments, or its reserve position, or developments in its reserves. A participant is not obligated to provide currency for SDRs beyond the point at which its holdings of SDRs in excess of its net cumulative allocation are equal to twice its net cumulative allocation. A participant may, however, provide currency in excess of this limit. Participants and prescribed holders can also use and receive SDRs in transactions and operations by agreement among themselves. Participants can also use SDRs in transactions and operations involving the General Resources Account, such as the payment of charges and repurchases.

Interest, Charges, and Assessment

Interest is paid on holdings of SDRs. Charges are levied on each participant's net cumulative allocation plus any negative balance of the participant or unpaid charges. Interest on SDR holdings is paid and charges on net cumulative allocations are collected on a quarterly basis. Interest and charges are levied at the same rate and settled by crediting and debiting individual holdings accounts on the first day of the subsequent quarter. The Fund is required to pay interest to each holder, whether or not sufficient SDRs are received to meet the payment of interest. If sufficient SDRs are not received, because charges are overdue, additional SDRs are temporarily created. At April 30, 1993, charges of SDR 49.9 million were overdue (SDR 38.0 million at April 30, 1992). At April 30, 1993, ten members (ten members at April 30, 1992) were six months or more overdue in meeting financial obligations to the Fund and six of these members were six months or more overdue to the SDR Department (six members at April 30, 1992).

Unpaid charges of these members to the SDR Department were as follows:

	1993	1992
	In millions of SDRs	
Total overdue charges	47.5	37.2
Overdue for six months or more	41.2	30.5
Overdue for three years or more	9.9	8.0

The duration of arrears of these members were as follows:

Member	Total	Longest Overdue Obligation
	In millions of SDRs	
Cambodia	12.4	November 1984
Haiti	1.4	November 1991
Iraq	13.5	November 1990
Liberia	9.2	August 1988
Somalia	2.3	February 1991
Sudan	8.7	November 1990
Total	47.5	

The rate of interest on the SDR is determined by reference to a combined market interest rate, which is a weighted average of yields or rates on short-term instruments in the capital markets of France, Germany, Japan, the United Kingdom, and the United States. The combined market interest rate used to determine the SDR interest rate is calculated each Friday, using the yields or rates of that day. The SDR interest rate, which is set equal to the combined market interest rate, enters into effect on the following Monday and applies until the end of the following Sunday.

The expenses of conducting the business of the SDR Department are paid by the Fund from the General Resources Account, which is reimbursed in SDRs at the end of each financial year. For this purpose, the Fund levies an assessment on all participants in proportion to their net cumulative allocation.

Participants in the SDR Department

On January 1, 1993, the former Czech and Slovak Federal Republic ceased to exist and the Fund determined that the Czech Republic and the Slovak Republic would be the successors to the assets and liabilities of the former Czech and Slovak Federal Republic in the Fund for respectively 69.61 percent and 30.39 percent of the share of the former Czech and Slovak Federal Republic. Simultaneously, each successor member had satisfied the conditions for membership and became members of the Fund and participants in the SDR Department.

On December 14, 1992, the membership of the former Socialist Federal Republic of Yugoslavia and its participation in the SDR Department were terminated and the Fund determined that the respective shares of the successor states in the SDR allocation of the former Socialist Federal Republic of Yugoslavia were as follows:

	Share	SDR Allocation
	In percent	*In millions*
Republic of Bosnia and Herzegovina	13.20	20.5
Republic of Croatia	28.49	44.2
Former Yugoslav Republic of Macedonia	5.40	8.4
Republic of Slovenia	16.39	25.4
Federal Republic of Yugoslavia (Serbia/Montenegro)	36.52	56.7
Total	100.00	155.2

Each successor may formally succeed to the membership of the former Socialist Federal Republic of Yugoslavia including its participation in the SDR Department after certain conditions are met, including the settlement of overdue obligations in the Fund, and after each has indicated its agreement to its share in the assets and liabilities of the former Socialist Federal Republic of Yugoslavia in the Fund as determined by the Fund. Once membership is effective, the successor will be considered to have continued, for its proportionate share, the membership of the former Socialist Federal Republic of Yugoslavia. As of April 30, 1993, the Republic of Croatia, the former Yugoslav Republic of Macedonia, and the Republic of Slovenia had satisfied the conditions for membership and, therefore, became members of the Fund and participants in the SDR Department effective December 14, 1992. Accrued charges of SDR 2.2 million were owed and outstanding as at April 30, 1993 from the two remaining successors.

ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST

COMBINED BALANCE SHEETS

as at April 30, 1993 and 1992

(In thousands of SDRs)

(Note 1)

	Loan Account	Reserve Account	Subsidy Account	Combined 1993	Combined 1992
ASSETS					
Loans	1,804,547	—	—	1,804,547	1,263,790
Investments (Note 2)	25,795	658,897	722,261	1,406,953	1,163,755
Accrued interest	2,928	3,738	2,381	9,047	42,083
Currencies	—	—	9	9	27
Accrued account transfers	16,035	10	(16,045)	—	—
TOTAL ASSETS	1,849,305	662,645	708,606	3,220,556	2,469,655
RESOURCES AND LIABILITIES					
Resources	—	662,645	606,255	1,268,900	1,026,445
Borrowing (Note 4)	1,827,587	—	101,365	1,928,952	1,423,760
Accrued interest	21,674	—	986	22,660	19,401
Other liabilities	44	—	—	44	49
TOTAL RESOURCES AND LIABILITIES	1,849,305	662,645	708,606	3,220,556	2,469,655

The accompanying notes and schedules are an integral part of the financial statements.

/s/ David Williams
Treasurer

/s/ M. Camdessus
Managing Director

ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST

COMBINED INCOME STATEMENTS

for the years ended April 30, 1993 and 1992

(In thousands of SDRs)

(Note 1)

	Loan Account	Reserve Account	Subsidy Account	Combined 1993	Combined 1992
INCOME					
Investment income	1,837	34,948	41,044	77,829	82,529
Interest on loans	8,038	—	—	8,038	5,551
	9,875	34,948	41,044	85,867	88,080
EXPENSE					
Interest expense	71,164	—	1,407	72,571	58,369
Exchange valuation loss (gain)	8	103	1	112	(62)
Other expenses	44	—	—	44	60
	71,216	103	1,408	72,727	58,367
NET INCOME (LOSS)	(61,341)	34,845	39,636	13,140	29,713

The accompanying notes and schedules are an integral part of the financial statements.

ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST

COMBINED STATEMENTS OF CHANGES IN RESOURCES

for the years ended April 30, 1993 and 1992

(In thousands of SDRs)
(Note 1)

	Loan Account	Reserve Account	Subsidy Account	Combined 1993	Combined 1992
Balance, beginning of the year	—	522,194	504,251	1,026,445	778,466
Contributions (Note 3)	—	—	125,545	125,545	135,940
Transfers from Special Disbursement Account	—	103,770	—	103,770	82,326
Subsidy Account transfers	63,177	—	(63,177)	—	—
Loan Account transfers	(1,836)	1,836	—	—	—
Net income (loss)	(61,341)	34,845	39,636	13,140	29,713
Balance, end of the year	—	662,645	606,255	1,268,900	1,026,445

The accompanying notes and schedules are an integral part of the financial statements.

ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST

NOTES TO THE FINANCIAL STATEMENTS

April 30, 1993 and 1992

Purpose

The Enhanced Structural Adjustment Facility Trust ("the Trust") for which the Fund is Trustee, was established in December 1987 to provide loans on concessional terms to qualifying low-income developing members. The resources of the Trust are separate from the assets of all other accounts of, or administered by, the Fund and may not be used to discharge liabilities or to meet losses incurred in the administration of other accounts.

The operations of the Trust are conducted through a Loan Account, a Reserve Account, and a Subsidy Account.

Loan Account

The resources of the Loan Account consist of the proceeds from borrowing and principal and interest payments on loans extended by the Trust. Resources of the Account are committed to qualifying members for a three-year period, upon approval by the Trustee, in support of the member's macroeconomic and structural adjustment programs. Interest on the outstanding loan balances is currently set at the rate of one 1/2 of 1 percent per annum. At April 30, 1993, SDR 1,804.5 million in loans had been disbursed (SDR 1,263.8 million at April 30, 1992).

Reserve Account

The resources of the Reserve Account consist of amounts transferred by the Fund from the Special Disbursement Account; net earnings from investment of resources held in the Account or in the Loan Account; receipts of overdue principal or interest payments under Loan Account loans or interest under Loan Account loans when payment has been made to a lender from the Reserve Account.

The resources held in the Reserve Account are to be used by the Trustee to make payments of principal and interest on borrowing for the Loan Account to the extent that the amounts available from receipts of repayments and interest from borrowers under the Loan Account, together with the authorized interest subsidy, are insufficient to cover payments to lenders as they become due and payable.

Subsidy Account

The resources held in the Subsidy Account consist of donations to the Trust, including transfers of net earnings from administered accounts; the proceeds of loans made to the Trust for the Subsidy Account; and the net earnings from investment of Account resources.

The resources available in the Subsidy Account are drawn by the Trustee to pay the difference, with respect to each interest period, between the interest due from the borrowers under the Trust and the interest due on resources borrowed for Loan Account loans.

1. Accounting Practices

The accounts of the Trust are expressed in terms of the SDR. SDRs are interest-earning assets allocated to participants in the Fund's SDR Department. The currency value of the SDR is determined by the Fund each day by summing the values in U.S. dollars, based on market exchange rates, of a basket of five currencies. The Fund's procedures require that the SDR valuation basket be reviewed every five years, and that it include the currencies of the members having the largest exports of goods and services during the five-year period ending one year prior to the date of the revisions. The SDR valuation basket was last reviewed in financial year 1991. The currencies comprising the basket and their amounts in the basket were as follows:

Currency	Amount
U.S. dollar	0.572
Deutsche mark	0.453
Japanese yen	31.8
French franc	0.800
Pound sterling	0.0812

Members are not obligated to maintain the SDR value of their currencies held in the Accounts of the Trust.

The Accounts of the Trust are maintained on the accrual basis and, accordingly, income is recognized as it is earned and expenses are recorded as they are incurred. The expenses of conducting the business of the Trust that are paid by the General Resources Account of the Fund are reimbursed on an annual basis by the Special Disbursement Account, and corresponding transfers from the Trust's Reserve Account may be made to the Special Disbursement Account, when and to the extent needed.

2. Investments

The resources of the Trust are invested pending their use in operations. Investments are denominated in SDRs or in currency. Balances held in currency-denominated investments may give rise to valuation gains and losses. Pending their investment, resources may be temporarily held in currency, which also may give rise to valuation gains and losses.

3. Contributions

The Trustee accepts contributions of resources for the Subsidy Account on such terms and conditions as agreed between the Trust and the contributors. Cumulative contributions received as at April 30, 1993 amounted to SDR 624.0 million (SDR 498.4 million at April 30, 1992) and are listed in Schedule 1.

4. Borrowing

The Trust borrows resources for the Loan Account and for the Subsidy Account on such terms and conditions as agreed between the Trust and the lenders.

The following summarizes the borrowing agreements concluded as at April 30, 1993 (in thousands of SDRs):

	Amount Agreed	Amount Borrowed	Amount Available
Loan Account	4,945,000	1,827,587	3,117,413
Subsidy Account	101,365	101,365	—

At the end of financial year 1993, borrowing agreements had been concluded for the Loan Account and the Subsidy Account amounting to SDR 4,945 million and SDR 101 million, respectively. Amounts available under these agreements at April 30, 1993 were SDR 3,117 million for the Loan Account and nil for the Subsidy Account.

Scheduled repayments of outstanding borrowing are shown in Schedule 2.

5. Commitments Under Loan Arrangements

At April 30, 1993, resources of the Loan Account were committed to members under twenty loan arrangements and undrawn balances under those arrangements amounted to SDR 753.8 million. At April 30, 1992, undrawn balances under sixteen loan arrangements amounted to SDR 876.7 million. Loan arrangements are listed in Schedule 3. Scheduled repayments of outstanding loans are shown in Schedule 4.

Schedule 1

ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST

CONTRIBUTIONS TO THE SUBSIDY ACCOUNT[1]

as at April 30, 1993

(In thousands of SDRs)

Contributor	Cumulative Contribution
Austria	18,874
Belgium	30,541
Canada	13,700
Denmark	27,028
Finland	22,684
Germany	31,030
Greece	10,935
Iceland	700
Italy	103,599
Japan	159,152
Korea	27,700
Luxembourg	2,512
Netherlands	25,347
Norway	16,931
Sweden	73,302
United Kingdom	48,313
United States	11,602
Total contributions received	623,950

[1]The Subsidy Account also benefits from the net investment earnings of the proceeds of loans or investments, which amounted to SDR 101.4 million at April 30, 1993.

Schedule 2

ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST

SCHEDULE OF REPAYMENTS OF BORROWING

as at April 30, 1993

(In thousands of SDRs)

Periods of Repayment Financial Year Ending April 30	Loan Account	Subsidy Account
1994	1,465	—
1995	56,739	—
1996	130,771	—
1997	211,583	—
1998	302,221	—
1999	364,052	60,000
2000	308,779	20,000
2001	234,747	10,000
2002	153,934	10,000
2003	63,296	1,365
Total	1,827,587	101,365

Schedule 3

ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST

STATUS OF LOAN ARRANGEMENTS[1]

as at April 30, 1993

(In thousands of SDRs)

			Amount Agreed			Undrawn Balance		
Member	Date of Arrangement	Expiration	ESAF loan account	Structural adjustment facility	Total	ESAF loan account	Structural adjustment facility	Total
Bangladesh	Aug. 10, 1990	Sep. 13, 1993	345,000	—	345,000	—	—	—
Benin	Jan. 25, 1993	Jan. 24, 1996	39,950	7,000	46,950	35,625	3,500	39,125
Bolivia	July 27, 1988	Sep. 10, 1993	117,910	45,350	163,260	13,605	—	13,605
Burkina Faso	Mar. 31, 1993	Mar. 30, 1996	32,820	15,800	48,620	28,720	11,060	39,780
Burundi	Nov. 13, 1991	Nov. 12, 1994	42,700	—	42,700	23,490	—	23,490
Equatorial Guinea	Feb. 03, 1993	Feb. 02, 1996	9,930	2,950	12,880	8,645	1,475	10,120
Guinea	Nov. 06, 1991	Nov. 05, 1994	57,900	—	57,900	40,530	—	40,530
Guyana	July 13, 1990	Dec. 20, 1993	47,084	34,440	81,524	3,936	4,920	8,856
Honduras	July 24, 1992	Jul. 23, 1995	40,680	—	40,680	33,900	—	33,900
Lesotho	May 22, 1991	May 21, 1994	18,120	—	18,120	7,550	—	7,550
Malawi	July 15, 1988	May 31, 1993	40,920	26,040	66,960	5,580	—	5,580
Mali	Aug. 28, 1992	Aug. 27, 1995	50,800	10,160	60,960	45,720	5,080	50,800
Mauritania	Dec. 09, 1992	Dec. 08, 1994	30,490	3,410	33,900	25,425	—	25,425
Mozambique	June 01, 1990	Sep. 30, 1993	100,650	—	100,650	15,250	—	15,250
Nepal	Oct. 05, 1992	Oct. 04, 1995	33,570	—	33,570	27,975	—	27,975
Sri Lanka	Sep. 13, 1991	Sep. 12, 1994	336,000	—	336,000	168,000	—	168,000
Tanzania	July 29, 1991	July 28, 1994	181,900	—	181,900	96,300	—	96,300
Togo	May 31, 1989	May 19, 1993	26,880	19,200	46,080	7,680	—	7,680
Uganda	Apr. 17, 1989	Nov. 24, 1993	199,200	19,920	219,120	19,920	—	19,920
Zimbabwe	Sep. 11, 1992	Sep. 10, 1995	200,600	—	200,600	145,900	—	145,900
Total			1,953,104	184,270	2,137,374	753,751	26,035	779,786

[1] Resources under enhanced structural adjustment facility arrangements may be provided from the structural adjustment facility within the Special Disbursement Account and from the Enhanced Structural Adjustment Facility Trust. The Saudi Fund for Development may also provide resources to support arrangements under the enhanced structural adjustment facility through loans to qualifying members in association with loans under the enhanced structural adjustment facility. As at April 30, 1993, SDR 19.5 million in such associated loans had been disbursed.

Schedule 4

ENHANCED STRUCTURAL ADJUSTMENT FACILITY TRUST

SCHEDULE OF REPAYMENTS OF LOANS

as at April 30, 1993

(In thousands of SDRs)

Periods of Repayment Financial Year Ending April 30	Loan Account
1994	1,465
1995	40,534
1996	103,691
1997	196,737
1998	293,550
1999	359,444
2000	320,375
2001	257,219
2002	164,173
2003	67,359
Total	1,804,547

ENHANCED STRUCTURAL ADJUSTMENT FACILITY

ADMINISTERED ACCOUNTS

BALANCE SHEETS

as at April 30, 1993 and 1992

(In thousands of SDRs)
(Note 1)

	1993			1992		
	Austria	Belgium	Greece	Austria	Belgium	Greece
ASSETS						
Investments (Note 2)	60,000	100,010	35,000	60,000	100,009	35,000
Accrued interest receivable	8	13	67	669	1,116	304
Advance Payments to ESAF Subsidy Account	92	131	—	—	—	—
TOTAL ASSETS	60,100	100,154	35,067	60,669	101,125	35,304
RESOURCES AND LIABILITIES						
Resources	—	—	2	568	971	238
Deposits (Note 3)	60,000	100,000	35,000	60,000	100,000	35,000
Accrued interest on deposits	100	154	65	101	154	66
TOTAL RESOURCES AND LIABILITIES	60,100	100,154	35,067	60,669	101,125	35,304

The accompanying notes are an integral part of the financial statements.

/s/ David Williams
Treasurer

/s/ M. Camdessus
Managing Director

ENHANCED STRUCTURAL ADJUSTMENT FACILITY

ADMINISTERED ACCOUNTS

INCOME STATEMENTS

for the years ended April 30, 1993 and 1992

(In thousands of SDRs)
(Note 1)

	1993			1992		
	Austria	Belgium	Greece	Austria	Belgium	Greece
Investment income	3,505	5,834	2,067	4,808	7,549	2,763
Interest expense on deposits	300	500	175	301	501	175
NET INCOME	3,205	5,334	1,892	4,507	7,048	2,588

The accompanying notes are an integral part of the financial statements.

ENHANCED STRUCTURAL ADJUSTMENT FACILITY

ADMINISTERED ACCOUNTS

STATEMENTS OF CHANGES IN RESOURCES

for the years ended April 30, 1993 and 1992

(In thousands of SDRs)

(Note 1)

	1993			1992		
	Austria	Belgium	Greece	Austria	Belgium	Greece
Balance, beginning of the year	568	971	238	1,621	2,522	1,084
Net income	3,205	5,334	1,892	4,507	7,048	2,588
Transfers to Enhanced Structural Adjustment Facility Trust Subsidy Account	(3,773)	(6,305)	(2,128)	(5,560)	(8,599)	(3,434)
Balance, end of the year	—	—	2	568	971	238

The accompanying notes are an integral part of the financial statements.

ENHANCED STRUCTURAL ADJUSTMENT FACILITY

ADMINISTERED ACCOUNT

SAUDI FUND FOR DEVELOPMENT SPECIAL ACCOUNT

STATEMENTS OF RECEIPT AND USE OF RESOURCES

(In thousands of SDRs)

(Note 1)

	For the Year Ended April 30, 1993	July 31, 1991 to April 30, 1992
RECEIPT OF RESOURCES		
Transfers from Saudi Fund for Development	19,500	17,500
Receipts of interest on associated loans	114	21
Accrued interest on associated loans	32	29
	19,646	17,550
USE OF RESOURCES		
Associated loans (Note 4)	19,500	17,500
Payment of interest on transfers	114	21
Accrued interest on transfers	32	29
	19,646	17,550

The accompanying notes are an integral part of the financial statements.

ENHANCED STRUCTURAL ADJUSTMENT FACILITY

ADMINISTERED ACCOUNTS

NOTES TO THE FINANCIAL STATEMENTS

April 30, 1993 and 1992

Purpose

The Administered Accounts for Austria, Belgium, and Greece were established for the administration of resources deposited in the accounts. The difference between interest earned by the Administered Accounts and the interest on deposits due is transferred to the Subsidy Account of the Enhanced Structural Adjustment Facility Trust.

The Saudi Fund for Development (SFD) Special Account was established at the request of the SFD for the disbursement of amounts under loans made by the SFD to recipient countries in association with loans (associated loans) under the enhanced structural adjustment facility (ESAF), simultaneously with ESAF disbursements, and to receive payments of loan charges and repayments of principal due to the SFD under associated loans to be transferred to the SFD. The Fund acts as agent of the SFD in that respect.

The resources of each Administered Account are separate from the assets of all other accounts of, or administered by, the Fund and may not be used to discharge liabilities or to meet losses incurred in the administration of other accounts.

1. Accounting Practices

The accounts of the Administered Accounts are expressed in terms of the SDR. SDRs are interest-earning assets allocated to participants in the Fund's SDR Department. The currency value of the SDR is determined by the Fund each day by summing the values in U.S. dollars, based on market exchange rates, of a basket of five currencies. The Fund's procedures require that the SDR valuation basket be reviewed every five years, and that it include the currencies of the members having the largest exports of goods and services during the five-year period ending one year prior to the date of the revisions. The SDR valuation basket was last reviewed in financial year 1991. The currencies comprising the basket and their amounts in the basket were as follows:

Currency	Amount
U.S. dollar	0.572
Deutsche mark	0.453
Japanese yen	31.8
French franc	0.800
Pound sterling	0.0812

The accounts of the Administered Accounts are maintained on the accrual basis and, accordingly, income is recognized as it is earned and expenses are recorded as they are incurred.

2. Investments

The resources of the Administered Accounts for Austria, Belgium, and Greece are invested in SDR-denominated deposits and valued at costs, which approximate market value.

3. Deposits

The Administered Account Austria was established on December 27, 1988 for the administration of resources deposited in the account by the Austrian National Bank. The deposit totaling SDR 60 million is to be repaid in ten equal semiannual installments beginning five and a half years after the date of the deposit and will be completed at the end of the tenth year after the date of the deposit. The deposit bears interest at a rate of 1/2 of 1 percent per annum.

The Administered Account Belgium was established on July 27, 1988 for the administration of resources deposited in the account by the National Bank of Belgium. The deposits, totaling SDR 100 million each, had an initial maturity of six months and are renewable, at the option of the Fund, on the same basis. The final maturity of each deposit, including renewals, will be ten years from the initial date of the deposit. The deposits bear interest at a rate of 1/2 of 1 percent per annum.

The Administered Account Greece was established on November 30, 1988 for the administration of resources deposited in the account by the Bank of Greece. The deposit totaling SDR 35 million is to be repaid in ten equal semiannual installments beginning five and a half years after the date of deposit and will be completed at the end of the tenth year after the date of the deposit. The deposit bears interest at a rate of 1/2 of 1 percent per annum.

4. Associated Loans

SFD will provide resources up to the equivalent of SDR 200 million to support arrangements under the ESAF through loans to qualifying members in association with loans under the ESAF. Funds become available under an associated loan after a bilateral agreement between the SFD and the recipient country has been effected and when the recipient country satisfies the requisites and procedures for all or part of the loan amount. Amounts denominated in SDRs, for disbursement to a recipient country under an associated loan are placed by the SFD in the Special Account for disbursement by the Fund simultaneously with disbursements under an ESAF arrangement. These loans are repayable in ten equal semiannual installments commencing not later than the end of the first six months of the sixth year, and are to be completed at the end of the tenth year after the date of disbursement. Interest on the outstanding balance is currently set at the rate of 1/2 of 1 percent per annum.

OTHER ADMINISTERED ACCOUNTS

ESTABLISHED AT THE REQUEST OF MEMBERS

BALANCE SHEETS

as at April 30, 1993 and 1992

(In thousands of U.S. dollars)
(Note 1)

	Administered Account— Japan		Administered Technical Assistance Account— Japan		Administered Account— Guyana		Voluntary Contribution Account— Bolivia	
	1993	1992	1993	1992	1993	1992	1993	1992
ASSETS								
Investments (Note 2)	100,200	97,000	4,794	1,075	—	352	—	10
Currency deposit	92	50	—	—	—	—	—	979
TOTAL ASSETS	100,292	97,050	4,794	1,075	—	352	—	989
RESOURCES								
TOTAL RESOURCES	100,292	97,050	4,794	1,075	—	352	—	989

The accompanying notes are an integral part of the financial statements.

/s/ David Williams
Treasurer

/s/ M. Camdessus
Managing Director

OTHER ADMINISTERED ACCOUNTS

ESTABLISHED AT THE REQUEST OF MEMBERS

INCOME STATEMENTS AND CHANGES IN RESOURCES

(In thousands of U.S. dollars)
(Note 1)

	For the Years Ended April 30, 1993 and 1992				From May 1, 1992 to December 31, 1992 and for the Year Ended April 30, 1992			
	Administered Account—Japan		Administered Technical Assistance Account—Japan		Administered Account—Guyana		Voluntary Contribution Account—Bolivia	
	1993	1992	1993	1992	1993	1992	1993	1992
Resource balance, beginning of the year	97,050	86,711	1,075	1,059	352	321	989	2,004
Contributions received	—	7,752	8,760	2,326	—	—	—	—
Income earned on investments	3,242	4,587	99	64	15	24	8	55
Net exchange valuation gain	—	—	—	—	1	7	—	—
	100,292	99,050	9,934	3,449	368	352	997	2,059
Payments to beneficiaries	—	2,000	5,140	2,374	368	—	997	1,070
Resource balance, end of the year	100,292	97,050	4,794	1,075	—	352	—	989

The accompanying notes are an integral part of the financial statements.

OTHER ADMINISTERED ACCOUNTS

ESTABLISHED AT THE REQUEST OF MEMBERS

NOTES TO THE FINANCIAL STATEMENTS

April 30, 1993 and 1992

Purpose

At the request of members, the Fund has established special purpose accounts to administer contributed resources, and to perform financial and technical services consistent with the purposes of the Fund. The assets of each Account are separate from the assets of all other accounts of, or administered by, the Fund and are not to be used to discharge liabilities or to meet losses incurred in the administration of other accounts.

Administered Account—Japan

At the request of Japan, the Fund established an Account on March 3, 1989 to administer resources contributed by Japan that are to be used to assist certain members with overdue obligations to the Fund. The resources of the Account are to be disbursed as specified by Japan and to members designated by Japan. At April 30, 1993, and 1992, cumulative contributions amounted to $97.4 million, of which $14 million has been disbursed.

Administered Technical Assistance Account—Japan

At the request of Japan, the Fund established an Account on March 19, 1990 to administer resources contributed by Japan that are to be used to finance technical assistance to member countries. Resources are to be used with the approval of Japan to assist members in resolving debt-related difficulties. Disbursements can also be made from the Account to the General Resources Account to reimburse the Fund for qualifying technical assistance projects. At April 30, 1993, cumulative contributions received by the Account amounted to $13.6 million, ($4.8 million at April 30, 1992) of which $9 million has been disbursed ($3.9 million at April 30, 1992).

Administered Account—Guyana

At the request of Guyana, the Fund established an Account on April 5, 1989 to administer resources made available by various contributors in connection with Guyana's adjustment effort. Cumulative contributions amounted to $253.4 million and disbursed to $253.9 million, including interest earned on contributions.

Voluntary Contribution Account—Bolivia

At the request of Bolivia, the Fund established an Account on October 21, 1987 to administer contributions to assist Bolivia in discharging a portion of the external indebtedness owed or guaranteed by it to nonofficial creditors. Cumulative contributions received by the Account amounted to $50.4 million, and $51.9 million, including interest earned on contributions, was disbursed.

1. Accounting Practices

The Accounts are expressed in U.S. dollars. All transactions and operations of the Accounts, including the transfers to and from the Accounts, are denominated in U.S. dollars except for the Administered Account—Guyana where they also were expressed in other freely usable currencies.

The Accounts are maintained on the accrual basis and, accordingly, income is recognized as it is earned and expenses are recorded as they are incurred.

2. Investments

The assets of the Accounts, pending their disbursement, are held in the form of repurchase agreements or interest-earning deposits and are valued at cost, equal to market value.

3. Accounts Termination

Administered Account—Japan

The Account can be terminated by the Fund or by Japan. Any remaining resources in the Account at termination are to be returned promptly to Japan.

Administered Technical Assistance Account—Japan

The Account can be terminated by the Fund or by Japan. Any resources that may remain in the Account at termination, net of accrued liabilities under Technical Assistance Projects, are to be returned promptly to Japan.

Administered Account—Guyana

The Account was terminated by the Fund on December 31, 1992 and the remaining assets were returned to Guyana.

Voluntary Contribution Account—Bolivia

The Account was terminated by the Fund on December 31, 1992 and the remaining assets were returned to Bolivia.

TRUST FUND

BALANCE SHEETS

as at April 30, 1993 and 1992

(In thousands of SDRs)
(Note 1)

	1993	1992
ASSETS		
Loans (Note 2)	157,723	157,723
Interest and charges receivable and accrued (Note 3)	31,780	28,105
Investments, at cost (which approximates market value)	—	3,001
TOTAL ASSETS	189,503	188,829
RESOURCES AND LIABILITIES		
Trust resources	157,723	157,861
Liabilities		
Undistributed profits from sale of gold (Note 4)	—	2,913
Deferred income (Note 3)	31,780	28,055
TOTAL RESOURCES AND LIABILITIES	189,503	188,829

The accompanying notes are an integral part of the financial statements.

/s/ David Williams
Treasurer

/s/ M. Camdessus
Managing Director

TRUST FUND

INCOME STATEMENTS

for the years ended April 30, 1993 and 1992

(In thousands of SDRs)
(Note 1)

	1993	1992
INCOME		
Interest and charges on loans (Note 2)	5,138	6,215
Less income deferred (Note 3)	3,745	5,403
	1,393	812
Investment income	72	165
	1,465	977
EXPENSE		
Exchange valuation loss	2	1
NET INCOME	1,463	976

The accompanying notes are an integral part of the financial statements.

TRUST FUND

STATEMENTS OF CHANGES IN TRUST RESOURCES

for the years ended April 30, 1993 and 1992

(In thousands of SDRs)
(Note 1)

	1993	1992
Balance, beginning of the year	157,861	158,000
Net income	1,463	976
Balance before transfers to the Special Disbursement Account	159,324	158,976
Transfers to the Special Disbursement Account (Note 5)	1,601	1,115
Balance, end of the year	157,723	157,861

The accompanying notes are an integral part of the financial statements.

TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

April 30, 1993 and 1992

Purpose

The Trust Fund, for which the Fund is Trustee, was established in 1976 to provide balance of payments assistance on concessional terms to eligible members that qualify for assistance. In 1980, the Fund, as Trustee decided that upon the completion of the final loan disbursements, the Trust Fund shall be terminated as of April 30, 1981. After that date, the activities of the Trust Fund have been confined to the completion of the unfinished business of the Trust Fund and the winding up of its affairs. The resources of the Trust Fund are separate from the assets of all other accounts of or administered by the Fund and cannot be used to discharge liabilities or to meet losses incurred in the administration of other Fund accounts.

1. Accounting Practices

The accounts of the Trust Fund are expressed in terms of the SDR. SDRs are interest-earning assets allocated to participants in the Fund's SDR Department. The currency value of the SDR is determined by the Fund each day by summing the values in U.S. dollars, based on market exchange rates, of a basket of five currencies. The Fund's procedures require that the SDR valuation basket be reviewed every five years, and that it include the currencies of the members having the largest exports of goods and services during the five-year period ending one year prior to the date of the revisions. The SDR valuation basket was last reviewed in financial year 1991.

The currencies comprising the basket and their amounts in the basket were as follows:

Currency	Amount
U.S. dollar	0.572
Deutsche mark	0.453
Japanese yen	31.8
French franc	0.800
Pound sterling	0.0812

The accounts are maintained on the accrual basis and, accordingly, income is recognized as it is earned, and expenses are recorded as they are incurred except that interest income from members that are overdue in settling their obligations to the Fund by six months or more is deferred and is recognized as income only when paid, unless the member has remained current in settling charges when due (see Note 3). Following the termination of the Trust Fund as of April 30, 1981, residual administrative costs have been absorbed by the General Resources Account of the Fund.

2. Loans

Loans were made from the Trust Fund to those eligible members that qualified for assistance in accordance with the provisions of the Trust Fund Instrument. The final Trust Fund loan installment was due on March 31, 1991. Interest on the outstanding loan balances is charged at the rate of $^1/_2$ of 1 percent per annum, while special charges have been levied on late payments of interest and principal since February 1986. Beginning May 1, 1993, special charges on overdue obligations to the Trust Fund will be suspended for members who are more than six months overdue.

3. Overdue Obligations

At April 30, 1993, six members (six members at April 30, 1992) with obligations to the Trust Fund were six months or more late in discharging their obligations to the Trust Fund. The recognition of interest income on the loans outstanding to these members and special charges due from them is being deferred. At April 30, 1993, total deferred income amounted to SDR 31.8 million (SDR 28.1 million at April 30, 1992). Overdue loan repayments and interest and special charges due from these members were as follows:

	Loans		Interest and Special Charges	
	April 30,		April 30,	
	1993	1992	1993	1992
	In millions of SDRs			
Total overdue	157.7	157.7	30.6	26.6
Overdue six months or more	157.7	157.7	29.0	23.6
Overdue three years or more	156.7	140.4	15.3	10.4

The type and duration of the arrears of these members at April 30, 1993, were as follows:

Member	Loans	Interest and Special Charges	Total	Longest Overdue Obligation
		In millions of SDRs		
Liberia	25.0	5.9	30.9	January 1985
Sierra Leone	9.1	1.5	10.6	January 1987
Somalia	6.5	1.1	7.5	July 1987
Sudan	67.4	16.0	83.4	July 1984
Viet Nam	43.1	5.3	48.4	February 1984
Zambia	6.6	0.8	7.5	April 1989
Total	157.7	30.6	188.3	

4. Direct Distribution of Profits

The Fund as Trustee decided that the Trust Fund would make the direct distribution of part of the profits from the sale of gold for the benefit of developing members. The share of each developing member in this direct distribution of profits was calculated on the basis of its share in total Fund quotas as at August 31, 1975 and on the basis of the actual profits realized in the gold auctions. On December 14, 1992, the undistributed profits from the sale of gold held on behalf of Cambodia were utilized by Cambodia to settle in part their overdue obligations to the Fund, completing the direct distribution of profits.

5. Transfer of Resources

The resources of the Trust Fund held on April 30, 1981 or received thereafter have been employed to pay interest and principal when due on loan obligations and to make transfers to the Special Disbursement Account.

SUPPLEMENTARY FINANCING FACILITY

SUBSIDY ACCOUNT

BALANCE SHEETS

as at April 30, 1993 and 1992

(In thousands of SDRs)
(Note 1)

	1993	1992
ASSETS		
Deposits (Note 2)	2,828	2,773
Accrued interest on deposits	36	45
TOTAL ASSETS	2,864	2,818
RESOURCES		
TOTAL RESOURCES	2,864	2,818

The accompanying notes are an integral part of the financial statements.

/s/ David Williams
Treasurer

/s/ M. Camdessus
Managing Director

SUPPLEMENTARY FINANCING FACILITY

SUBSIDY ACCOUNT

STATEMENTS OF CHANGES IN RESOURCES

for the years ended April 30, 1993 and 1992

(In thousands of SDRs)
(Note 1)

	1993	1992
Balance, beginning of the year	2,818	4,017
Investment income	166	222
Transfers to the Special Disbursement Account	—	(1,227)
Balance before subsidy payments	2,984	3,012
Subsidy payments (Note 3)	120	194
Balance, end of the year	2,864	2,818

The accompanying notes are an integral part of the financial statements.

SUPPLEMENTARY FINANCING FACILITY

SUBSIDY ACCOUNT

NOTES TO THE FINANCIAL STATEMENTS

April 30, 1993 and 1992

Purpose

The Supplementary Financing Facility Subsidy Account ("the Subsidy Account"), which is administered by the Fund, was established in December 1980 to assist low-income developing members to meet the cost of using resources made available through the Fund's supplementary financing facility and under the policy on exceptional use. The assets of the Subsidy Account are separate from the assets of all other accounts of, or administered by, the Fund and are not to be used to discharge liabilities or to meet losses incurred in the administration of other accounts. All repurchases due under these policies were scheduled for completion by January 31, 1991 and the final subsidy payments were approved in July 1991. However, three members (Liberia, Sierra Leone, and Sudan), overdue in the payment of charges, remain ineligible to receive previously approved subsidy payments until their overdue charges are settled. Accordingly, the Account remains in operation and has retained amounts for payment to these members after the overdue charges are paid. At April 30, 1993, subsidy payments totaling SDR 2.4 million had not been made to the three members (at April 30, 1992, SDR 2.5 million to four members).

The Fund determined that the resources of the Account are sufficient to meet its estimated needs, and resources in excess of the unpaid subsidy payments were to be re-transferred to the Special Disbursement Account. As of April 30, 1993, the cumulative amount of transfers to the Special Disbursement Account from the Subsidy Account amounted to SDR 83.1 million (SDR 83.1 million at April 30, 1992).

1. Accounting Practices

The accounts of the Supplementary Financing Facility Subsidy Account are expressed in terms of the SDR. SDRs are interest-earning assets allocated to participants in the Fund's SDR Department. The currency value of the SDR is determined by the Fund each day by summing the values in U.S. dollars, based on market exchange rates, of a basket of five currencies. The Fund's procedures require that the SDR valuation basket be reviewed every five years, and that it include the currencies of the members having the largest exports of goods and services during the five-year period ending one year prior to the date of the revisions. The SDR valuation basket was last reviewed in financial year 1991. The currencies comprising the basket and their amounts in the basket were as follows:

Currency	Amount
U.S. dollar	0.572
Deutsche mark	0.453
Japanese yen	31.8
French franc	0.800
Pound sterling	0.0812

The accounts are maintained on the accrual basis and, accordingly, income is recognized as it is earned and expenses are recorded as they are incurred.

2. Interest-Earning Deposits

The assets of the Subsidy Account, pending their disbursement, are held in the form of interest-earning time deposits denominated in SDRs and are valued at costs which approximate market value.

3. Subsidy Payments

The amount of the subsidy was calculated as a percentage per annum of the average daily balances in each year of the Fund's holdings of recipient members' currencies subject to the schedule of charges applicable to the supplementary financing facility. The rate of subsidy paid was determined by the Fund in the light of the resources available. The subsidy could not exceed the equivalent of 3 percent per annum of the currency holdings resulting from purchases under the supplementary financing facility, nor reduce the effective rate on the use of credit under the supplementary financing facility below the rate of charge on the use of the Fund's ordinary resources.

REPORT OF THE EXTERNAL AUDIT COMMITTEE

STAFF RETIREMENT PLAN

Washington, D.C.
June 30, 1993

Authority and Scope of Audit

In accordance with Section 20(b) of the By-Laws of the International Monetary Fund, we have audited the financial statements of the Staff Retirement Plan for the financial year ended April 30, 1993.

Our audit was conducted in accordance with generally accepted auditing standards and included reviews of the accounting and internal control systems, and tests of the accounting records. We evaluated the extent and results of the work of the outside accounting firm as well as that of the Office of Internal Audit and Review and also used other audit procedures as deemed necessary.

Audit Opinion

In our opinion, the financial statements of the Staff Retirement Plan have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, and give a true and fair view of the financial status of the Staff Retirement Plan as at April 30, 1993, and of the changes in financial status for the year then ended.

EXTERNAL AUDIT COMMITTEE:

Mohammed Zouhair Tallaj, Chairman (*Syrian Arab Republic*)
José Manuel Palenque (*Bolivia*)
Koji Yamazaki (*Japan*)

STAFF RETIREMENT PLAN

STATEMENTS OF ACCUMULATED PLAN BENEFITS

AND NET ASSETS AVAILABLE FOR BENEFITS

as at April 30, 1993 and 1992

(In thousands of U.S. dollars)
(Note 1)

	1993	1992
Accumulated Plan Benefits		
Actuarial present value of accumulated Plan benefits		
Vested benefits		
Retired participants	406,000	368,400
Active participants	374,600	346,200
Nonvested benefits	490,400	456,200
Total actuarial present value of accumulated Plan benefits	1,271,000	1,170,800
Net Assets Available for Benefits		
Investments, at current value (Note 3)		
Portfolio denominated in other currencies	895,919	536,458
Portfolio denominated in U.S. dollars	823,122	981,078
	1,719,041	1,517,536
Receivables		
Accrued interest and dividends	12,017	9,391
Contributions	1,223	818
Other	9	10
	13,249	10,219
Cash at bank	12	54
Total assets	1,732,302	1,527,809
Liabilities		
Accounts payable	2,200	2,060
Net assets available for benefits	1,730,102	1,525,749
Excess of net assets available for benefits over actuarial present value of accumulated Plan benefits (Note 2)	459,102	354,949

The accompanying notes are an integral part of the financial statements.

/s/ David Williams
Treasurer

/s/ M. Camdessus
Managing Director

STAFF RETIREMENT PLAN

STATEMENTS OF CHANGES IN ACCUMULATED PLAN BENEFITS

for the years ended April 30, 1993 and 1992

(In thousands of U.S. dollars)
(Note 1)

	1993	1992
Actuarial present value of accumulated Plan benefits, beginning of the year	1,170,800	1,037,400
Increase (decrease) during the year attributable to		
Benefits accumulated (Note 1)	38,788	77,139
Increase for interest due to decrease in discount period	98,000	86,900
Benefits paid	(36,588)	(30,639)
Net increase	100,200	133,400
Actuarial present value of accumulated Plan benefits, end of the year	1,271,000	1,170,800

The accompanying notes are an integral part of the financial statements.

STAFF RETIREMENT PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

for the years ended April 30, 1993 and 1992

(In thousands of U.S. dollars)
(Note 1)

	1993	1992
Investment Income		
Net gain in current value of investments (Note 3)	141,244	94,996
Interest and dividends	60,560	68,451
	201,804	163,447
Contributions (Note 2)		
International Monetary Fund	29,398	20,440
Participants	15,424	13,739
Participants restored to service	634	239
Net transfers (to) from retirement plans of other international organizations	(117)	628
	45,339	35,046
Total additions	247,143	198,493
Benefits		
Pension	28,336	25,922
Commutation	5,536	2,832
Withdrawal	1,986	1,687
Death	730	198
	36,588	30,639
Investment Fees		
Manager	5,175	5,655
Custodian	1,027	924
	6,202	6,579
Total payments	42,790	37,218
Net additions	204,353	161,275
Net Assets Available for Benefits at		
Beginning of the year	1,525,749	1,364,474
End of the year	1,730,102	1,525,749

The accompanying notes are an integral part of the financial statements.

STAFF RETIREMENT PLAN

NOTES TO THE FINANCIAL STATEMENTS

as at April 30, 1993 and 1992

Description of the Plan

General

The Staff Retirement Plan (Plan) is a defined benefit pension plan covering nearly all staff members of the International Monetary Fund (Employer). All assets and income of the Plan are the property of the Employer and are held and administered by it separately from all its other property and assets and are to be used solely for the benefit of participants, retired participants, and their beneficiaries.

Benefits

Annual Pension

Participants are entitled to an unreduced pension beginning at normal retirement age of 62. The amount of the pension is based on the number of years of service, age at retirement, and highest average gross remuneration. The provisions for determining gross remuneration are different for benefits earned before and after May 1, 1990. The gross remuneration on which pensions from the Plan are based is limited to a predetermined amount, which is periodically adjusted. Pension benefits attributable to gross remuneration in excess of this amount are paid from the Supplemental Retirement Benefit Plan.

The accrual rate of benefits earned before May 1, 1990 was 2 percent of gross remuneration for each year of service, while the accrual rate of benefits earned after May 1, 1990 is 2.2 percent for the first 25 years of service and 1.8 percent for the next 10 years of service. The pensions of participants hired before May 1, 1990 are based on a prorated combination of the old and new accrual rates, using the time period of service before and after May 1, 1990.

Participants between the ages of 50 and 55 may retire with a reduced pension if their age and years of service total at least 75. Participants age 55 and older may retire with an unreduced pension if the sum of their age and years of service equals 85 or more. Early retirement pensions are based on normal pensions.

Cost of Living Adjustment

Whenever the cost of living increases during a financial year, pensions shall be augmented by a pension supplement that, expressed in percentage terms, shall be equal to the increase in the cost of living for the financial year. If the cost of living increase for a financial year should exceed 3 percent, the Employer has the right, for good cause, to reduce prospectively the additional supplement to not less than 3 percent. Deferred pensions become subject to cost of living adjustments when the sum of a former participant's age and years of service is at least 50.

Withdrawal Benefit

Upon termination, a participant with at least three years of eligible service may elect to receive either a withdrawal benefit or a deferred pension to commence after the participant has reached the age of 55 or age 50 if age and years of service add to at least 75. The withdrawal benefit is a percentage of the participant's highest average gross remuneration.

Commutation

A pensioner entitled to receive a normal, early retirement, or deferred pension may elect to commute up to one third of his or her pension, and receive a lump-sum amount at retirement in lieu of the amount of pension commuted. A participant entitled to receive a disability pension may elect to commute one third of the early retirement pension that would otherwise have been applicable.

Disability Pensions, Death Benefits, and Survivor Benefits

The Plan also provides for disability pensions, death benefits, and benefits to surviving spouses and children of deceased participants.

Currency of Pension Payments

A participant may elect to have his pension paid in the currency of the country in which he has established permanent residence or in a combination of two currencies—the U.S. dollar and the currency of the country in which the participant is a permanent resident. As a result of an amendment to the Plan that became effective on May 1, 1991, the additional cost of paying pensions in local currency, formerly paid by the administrative budget, is now paid by the Plan.

Contributions

Participants

As a condition of employment, regular staff members are required to participate in and to contribute to the Plan. The contribution rate is presently 7 percent of the participant's gross remuneration. Certain other categories of staff members may elect to participate in the Plan.

Employer

The Employer meets certain administrative costs of the Plan, such as the actuary's fees, and contributes any additional amount not provided by the contribution of participants to pay costs and expenses of the Plan not otherwise covered. In 1993, the administrative costs met by the Employer were approximately $0.13 million ($0.06 million in 1992).

Plan Termination

In the event of the termination of the Plan by the Employer, the assets of the Plan shall be used to satisfy all liabilities to participants, retired participants, and their beneficiaries, and all other liabilities of the Plan. Any remaining balance of the assets shall be returned to the Employer.

1. Accounting Practices

Accumulated Plan Benefits

The actuarial value of vested benefits is presented for two categories. For retired participants, the amount presented equals the present value of the benefits expected to be paid over the future lifetime of the pensioner, and, if applicable, the surviving spouse of the pensioner. For active participants, the amount presented equals the present value of the deferred pension earned to the valuation date for a participant, or, if greater, the value of the withdrawal benefit for that participant, summed over all participants. For the purpose of determining the actuarial value of the vested benefits at the end of the Plan year, it is assumed that the Plan will continue to exist and that salaries will continue to rise, but that participants will not earn pension benefits beyond the date of the calculation.

The amount of nonvested benefits represents the total of the withdrawal benefits of all participants with less than three years of eligible service together with the estimated effect of projected salary increases on benefits expected to be paid.

In contrast to the actuarial valuation for funding purposes, the actuarial valuation used for the financial statements represents the portion of the benefit obligation that had been accumulated by April 30, 1993. It reflects only the service to that date and does not take into account the fact that the value of accumulated benefits, which are the Plan's liabilities, is expected to increase each year. Nor does it take into account the fact that the market value of investments may fluctuate from year to year, which is significant because the employer's liability is the excess of the present value of accumulated benefits over the value of the assets. Accordingly, the financial statements do not measure the amount that the Employer will be required to fund in the future.

Valuation of Investments

Investments in securities listed on stock exchanges are valued at the last reported market sales price on the last business day of the accounting period. Over-the-counter securities are valued at their bid price on the last business day of the accounting period. Investments in real estate are valued at the last reported appraisal value. Purchases and sales made by U.S. investment managers are recorded on the settlement date basis, and transactions made by the international investment managers are recorded on the trade date basis.

Investment Income

Dividend and interest income from investments are recognized as they are earned.

2. Actuarial Valuation and Funding Policy

Under the actuarial valuation used for funding calculations, it is assumed that the Plan will continue to exist and that active participants will continue to earn pension benefits beyond the date of the valuation until the date of withdrawal, disability, death, or retirement, but that no new participant will join the Plan (the "closed method").

Funding by the Employer is based upon a valuation method, known as the "aggregate method," which expresses liabilities and contribution requirements as single consolidated figures that include provision for experience gains and losses and cost of living increases. Required Employer contributions are expressed as a percentage to be applied to the gross remuneration of participants and are based upon the valuation completed 12 months previously. For the financial year that began on May 1, 1991, this rate was 10.46 percent and was 13.41 percent for the year that began on May 1, 1992 based upon the valuation at April 30, 1991. The proposed rate for the year beginning May 1, 1993 is 16.05 percent of the new gross remuneration.

The actuarial assumptions used in the valuation to determine the Employer contribution in recent years include (a) life expectancy based upon the 1980 and 1982 United Nations mortality tables for men and women, respectively, (b) withdrawal or retirement of a certain percentage of staff at each age, differentiated by sex, (c) an average rate of return on investments of 8.5 percent per annum, (d) an average inflation rate of 5 percent per annum, (e) salary increase percentages that vary with age, and (f) valuation of assets using a five-year moving average method.

Several of the actuarial assumptions used to determine the Employer contribution were changed for years beginning after April 30, 1991. The changes include (1) basing life expectancies on the 1984 and 1982 United Nations mortality tables for men and women, respectively, with each table set back one year and (2) increasing the liabilities of the Plan by 1 percent to reflect the May 1, 1991 incorporation into the Plan of the Pension Parity Adjustment System, which are reflected in the 1991 and 1990 valuations.

The results of the April 30, 1992 and 1991 valuations are:

	1992	1991
	In millions of U.S. dollars	
Present value of benefits payable	1,847	1,632
Less: Assets for valuation purposes	1,369	1,259
Required future funding	478	373
Less: Present value of prospective contributions from participants (7 percent of gross remuneration)	154	136
Present value of future funding required from the Employer	324	237

3. Investments

A summary of investments at market values is as follows:

	1993	1992
	In thousands of U.S. dollars	
Portfolio denominated in U.S. dollars		
Common and preferred stock	526,368	651,847
Short-term investments	101,770	159,493
U.S. Government securities	96,628	86,727
Real estate	49,127	45,012
Corporate bonds and debentures	48,424	36,141
Venture capital	805	1,858
	823,122	981,078
Portfolio denominated in other currencies	895,919	536,458
	1,719,041	1,517,536

The net gain in the current value of investments represents the gains (and losses) realized during the year from the sale of investments, the unrealized appreciation (and depreciation) of the market value of investments, and, for investments denominated in currencies other than U.S. dollars, valuation differences arising from exchange rate changes of other currencies against the U.S. dollar.

The Plan enters into forward foreign currency exchange contracts to reduce the impact of foreign currency fluctuations relative to investments in its international portfolio and also invests in financial futures contracts. Although the face amount of these contracts is not included in net assets available for plan benefits, the changes in value of such contracts are recognized currently in the financial statements. At April 30, 1993 the Plan had $57 million in open equity and fixed income futures contracts, $43 million in open foreign currency futures contracts, and $177 million in open forward foreign exchange contracts.

REPORT OF THE EXTERNAL AUDIT COMMITTEE

SUPPLEMENTAL RETIREMENT BENEFIT PLAN

Washington, D.C.
June 30, 1993

Authority and Scope of Audit

In accordance with Section 20(b) of the By-Laws of the International Monetary Fund, we have audited the financial statements of the Supplemental Retirement Benefit Plan for the financial year ended April 30, 1993.

Our audit was conducted in accordance with generally accepted auditing standards and included reviews of the accounting and internal control systems, and tests of the accounting records. We evaluated the extent and results of the work of the outside accounting firm as well as that of the Office of Internal Audit and Review and also used other audit procedures as deemed necessary.

Audit Opinion

In our opinion, the financial statements of the Supplemental Retirement Benefit Plan have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, and give a true and fair view of the financial status of the Supplemental Retirement Benefit Plan as at April 30, 1993, and of the changes in financial status for the year then ended.

EXTERNAL AUDIT COMMITTEE:

Mohammed Zouhair Tallaj, Chairman (*Syrian Arab Republic*)
José Manuel Palenque (*Bolivia*)
Koji Yamazaki (*Japan*)

SUPPLEMENTAL RETIREMENT BENEFIT PLAN

STATEMENTS OF ACCUMULATED PLAN BENEFITS

AND ASSETS AVAILABLE FOR BENEFITS

as at April 30, 1993 and 1992

(In thousands of U.S. dollars)

(Note 1)

	1993	1992
Accumulated Plan Benefits		
Actuarial present value of accumulated Plan benefits		
Vested benefits	6,400	4,600
Nonvested benefits	100	100
Total actuarial present value of accumulated Plan benefits	6,500	4,700
Assets Available for Benefits		
Receivable		
Contributions	4	2
Cash at bank (Note 3)	401	340
Assets available for benefits	405	342
Excess of actuarial present value of accumulated Plan benefits over assets available for benefits	6,095	4,358

The accompanying notes are an integral part of the financial statements.

/s/ David Williams
Treasurer

/s/ M. Camdessus
Managing Director

SUPPLEMENTAL RETIREMENT BENEFIT PLAN

STATEMENTS OF CHANGES IN ACCUMULATED PLAN BENEFITS

for the years ended April 30, 1993 and 1992

(In thousands of U.S. dollars)

(Note 1)

	1993	1992
Actuarial present value of accumulated Plan benefits, beginning of the year	4,700	1,800
Increase (decrease) during the period attributable to		
Benefits accumulated	1,948	3,129
Increase for interest due to decrease in discount period	400	100
Benefits paid	(548)	(329)
Net increase	1,800	2,900
Actuarial present value of accumulated Plan benefits, end of the year	6,500	4,700

The accompanying notes are an integral part of the financial statements.

SUPPLEMENTAL RETIREMENT BENEFIT PLAN

STATEMENTS OF CHANGES IN ASSETS AVAILABLE FOR BENEFITS

for the years ended April 30, 1993 and 1992

(In thousands of U.S. dollars)
(Note 1)

	1993	1992
Interest income	11	21
Contributions		
International Monetary Fund	534	123
Participants	66	51
	600	174
Total additions	611	195
Benefits		
Pension	359	293
Commutation	189	36
Total payments	548	329
Net increase (decrease)	63	(134)
Assets Available for Benefits at		
Beginning of the year	342	476
End of the year	405	342

The accompanying notes are an integral part of the financial statements.

SUPPLEMENTAL RETIREMENT BENEFIT PLAN

NOTES TO THE FINANCIAL STATEMENTS

as at April 30, 1993 and 1992

Description of Supplemental Retirement Benefit Plan

General

The Supplemental Retirement Benefit Plan (SRBP) is a defined benefit pension plan covering all participants of the Staff Retirement Plan of the International Monetary Fund (Employer) and operates as an adjunct to that Plan. All assets and income of the SRBP are the property of the Employer and are held and administered by it separately from all its other property and assets and are to be used solely for the benefit of participants and retired participants and their beneficiaries.

Benefits

The Staff Retirement Plan has adopted limits to pensions payable from that Plan. The SRBP provides for the payment of any benefit that would otherwise have been payable if these limits had not been adopted.

In 1993, 27 pensioners received benefits from the SRBP (20 in 1992).

Contributions

Participants with gross remuneration exceeding a predetermined limit are required to contribute 7 percent of their gross remuneration in excess of this limit to the SRBP. The Employer meets administrative costs of the SRBP and contributes any additional amounts not provided by the contributions of participants to pay costs and expenses of the SRBP not otherwise covered.

The Employer makes regular contributions in relation to non-U.S. citizens whose calculated gross remuneration exceeds the predetermined limit, as adjusted. There is also a partial prefunding by the Employer, just prior to retirement, when non-U.S. citizens retire in the United States, so that the taxable income of the participant is approximately equal to, but not more than, such income that would have accrued if the entire benefit had been payable from any of the prefunded assets of the Staff Retirement Plan. The contributions of participants and the prefunded amounts are used to pay any of the benefits payable, whether for U.S. or non-U.S. staff. Should the assets of the SRBP be exhausted, benefits will be paid from current contributions by the Employer.

SRBP Termination

In the event of the termination of the SRBP by the Employer, the assets of the SRBP shall be used to satisfy all liabilities to participants, retired participants and their beneficiaries, and all other liabilities of the SRBP.

1. Accounting Practices

Accumulated SRBP Benefits

The actuarial present value of accumulated SRBP benefits is stated as at the date of the most recent actuarial valuation, which was April 30, 1993. The actuarial value of benefits is presented for two categories. The vested benefits relate to retired participants and the amount presented equals the present value of the benefits expected to be paid over the future lifetime of the pensioner, and, if applicable, the surviving spouse of the pensioner.

The nonvested benefits relate to active participants and the amount presented equals the present value of the supplemental deferred pension earned to the valuation date for a participant, taking into account the estimated effect of projected salary increases. For the purpose of determining the actuarial value of the benefits at the end of the period, it is assumed that the SRBP will continue to exist, but that participants will not accumulate further contributory service beyond the date of the calculation.

Interest Income

Interest income from investments is recognized as it is earned.

2. Actuarial Valuation

The actuarial assumptions used in the valuation to determine the employer contribution in recent years include (a) life expectancy based upon the 1980 and 1982 United Nations mortality tables for men and women, respectively, (b) withdrawal or retirement of a certain percentage of staff at each age, differentiated by sex, (c) an average rate of return on investments of 8.5 percent per annum, (d) an average inflation rate of 5 percent per annum, (e) salary increase percentages which vary with age, and (f) valuation of assets using a five-year moving average method.

Several of the actuarial assumptions used to determine the employer contribution were changed for years beginning after April 30, 1991. The changes include (1) basing life expectancies on the 1984 and 1982 United Nations mortality tables for men and women, respectively, with each table set back one year and (2) increasing the liabilities of the SRBP by 1 percent to reflect the May 1, 1991 incorporation into the SRBP of the Pension Parity Adjustment System.

3. Assets

Cash balances are maintained in a money market account.

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Glossary of Abbreviations

ASEAN	Association of South East Asian Nations
BIS	Bank for International Settlements
CACM	Central American Common Market
CARICOM	Caribbean Common Market
CCFF	compensatory and contingency financing facility
CMEA	Council for Mutual Economic Assistance
EC	European Community
ECOWAS	Communauté Economique des Etats de l'Afrique de l'Ouest or Economic Community of West African States
ECU	European currency unit
EFTA	European Free Trade Association
EMS	European Monetary System
EMU	economic and monetary union in Europe
ERM	exchange rate mechanism
ESAF	enhanced structural adjustment facility
GAB	General Arrangements to Borrow
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GRA	General Resources Account
LIBOR	London interbank offered rate
MERCOSUR	Southern Cone Common Market
NAFTA	North American Free Trade Agreement
PPP	purchasing power parity
PTA	Preferential Trade Area for Eastern and Southern African States
OECD	Organization for Economic Cooperation and Development
SADC	Southern African Development Community
SAF	structural adjustment facility
SCA	Special Contingent Account
SDA	Special Disbursement Account
SDR	special drawing right
STF	systemic transformation facility
UDEAC	Union Douanière et Economique de l'Afrique Centrale or Central African Customs and Economic Union
WAMU	West African Monetary Union