INTERNATIONAL MONETARY FUND

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

September 22, 2005

Contents Page

Abbreviations and Acronyms

AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
BSR	Biennial Surveillance Review
ECBR	Employment, Compensation, and Benefits Review
EPA	Ex Post Assessments
FATF	Financial Action Task Force
FSAP	Financial Sector Assessment Program
HIPC	Heavily Indebted Poor Countries
IEO	Independent Evaluation Office
IF	Integrated Framework for Trade-Related Technical Assistance
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
MDGs	Millennium Development Goals
OED	Operations Evaluation Department (of the World Bank)
PIN	Public Information Notice
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
PSI	Policy Support Instrument
RTAC	Regional Technical Assistance Center
SRF	Supplemental Reserve Facility
TIM	Trade Integration Mechanism
UN	United Nations
WEO	World Economic Outlook

I. Introduction and Overview

1. **This report provides an update on the work and direction of the Fund since the 2005 Spring Meetings**. Since that time, the global economy has enjoyed strong growth—albeit with significant regional differences—and an absence of major financial crises, even though growing imbalances and rising oil prices have clouded the outlook. Although some steps the Fund has been advocating for some time have been taken—for example, increased flexibility in exchange rate regimes in Asia—decisive action to reduce global imbalances has remained elusive. At the same time, progress toward the Millennium Development Goals (MDGs) remains slow and uneven,[1] highlighting the need for concerted action by all countries. Further impetus is also urgently needed to move the Doha Round of trade negotiations toward an ambitious conclusion.

2. **Against this background, we have continued with the broad strategic review of the Fund that was begun last year.** A separate report proposes, for IMFC discussion, a medium-term strategy to guide our operations.[2] This strategy is designed to continue the adaptation of the Fund—as the unique global forum for international cooperation on macroeconomic and financial issues—to an increasingly integrated world economy. It identifies globalization as the central challenge facing member countries, and helping members reap the benefits and weather the difficulties associated with globalization as the key task currently facing the Fund, within its well-defined mandate in the macroeconomic area. The strategy recognizes that the Fund has already come a long way in adapting to these challenges, and that efforts are underway—many of them described below—to adapt or enhance its activities further in a number of areas. At the same time, it provides a framework within which to prioritize the Fund's work and increase its focus, effectiveness, and preparedness to face the future.

3. **The strategy identifies key directions for future work:**

- More effective *surveillance*, with the accent on more focus and greater attention to context—including the global context, the political context, and the increasingly wide range of issues potentially affecting stability in members' economies;
- In *advanced countries*, a stronger focus on external implications of policies and on understanding and taking into account the reasons why Fund advice is not acted upon in specific instances;
- In *emerging markets*, improving early warning systems, reviewing mechanisms for crisis resolution, and considering further the possible role of Fund financing commitments in crisis prevention;
- Improving the Fund's ability to advise on how best to manage the process of *capital account liberalization*;

- In *low-income countries*, sharpening the focus on the Fund's core areas of expertise, introducing greater flexibility in Fund instruments, assessing the achievability of the MDGs, and streamlining procedures;

- Improving the management of *technical assistance* (TA), notably by ensuring a central role for area departments in working with country authorities to develop TA strategies;

- Reflecting the above priorities in a three-year *budget framework*, while considering means of broadening the Fund's income base;

- Improving *organization* by modernizing the staff compensation system and the departmental structure, streamlining workload and procedures at all levels (staff, management, and Board), improving risk management, and seeking a clearer division of labor and more effective collaboration with the World Bank; and

- Ensuring that all members have a fair *quota and voice* in the institution.

In the context of the improved budget framework, these priorities will guide our activities in a tight budgetary environment with increasing demands on our resources.

4. **In the last six months, the Fund has continued to review and adjust its work in a range of specific areas**. Following the recent reviews of surveillance and conditionality, the Executive Board's work program has focused especially on low-income countries, with particular attention given to strengthening the tools for Fund engagement and to options for deepening debt relief—especially with regard to the recent G-8 proposal concerning debt cancellation. Other key initiatives underway include efforts to enhance the effectiveness of Fund surveillance; better planning and prioritization of capacity-building activities; and the development of a medium-term budgetary framework. These various initiatives are fully consistent with the proposed medium-term strategy and will provide a strong basis for the Fund's future work. There has been less progress in the debate on the appropriate circumstances and scale of Fund lending to emerging markets, including to support crisis prevention efforts. On the crucial issue of quotas and voice, the Board has had an opportunity to discuss the available options for moving forward, and we will need to build on this discussion.

II. Surveillance, Crisis Prevention, and Capacity Building

5. **The Fund's surveillance remains central to its role in supporting the stability of the international monetary system and preventing crises**. In an increasingly integrated system, imbalances will inevitably arise, which will need to be managed; and surveillance must continue to evolve to keep up with the changing needs of the global environment. To be effective, it must address, and indeed anticipate, the pressing issues of the day by providing timely and well-founded advice on the greatest challenges to economic and financial stability—advice that should, in turn, help promote an appropriate policy response. The task

of identifying the most pressing issues has, moreover, become both more difficult and more important as the world economy has become more complex.

6. **The Fund's global surveillance provides a platform for the analysis of developments in individual economies and in financial markets, and their impact on the rest of the world.** Global economic integration has made it more important than ever before. The *World Economic Outlook (WEO)* [3] and *Global Financial Stability Report* [4] are the primary vehicles for conducting global surveillance. Through these reports—as well as through its participation in various international fora—the Fund has warned of the urgent need to address growing imbalances within and between member countries, and has emphasized the need for coordinated multilateral action. The recent Article IV consultations with the United States, Japan, China, and the euro area provide examples of a strong focus on the global implications of country policies, which have, in turn, informed global surveillance activities. Recent surveillance activities have also addressed the response to rising oil prices, the need for concerted efforts to achieve lasting reductions in poverty and a favorable outcome of the Doha round, and the need to strengthen fiscal frameworks as well as financial systems. Staff work on individual countries is also informed by increasingly systematic assessments of underlying vulnerabilities for a large group of emerging market countries, grounded in a cross-country analysis of key economic and financial risk indicators.

7. **Similarly, regional surveillance is used to highlight spillover effects of country policies, and to bring an analytical focus to regional issues**. The increased use of a regional lens to analyze economic and policy developments—for instance, recently, in Central America,[5] the Eastern Caribbean,[6] the Pacific islands, Sub-Saharan Africa,[7] and Asia [8]—helps to inform bilateral surveillance and the Fund's engagement with country authorities. It also helps the Fund to exploit synergies among the various dimensions of surveillance, and fosters opportunities for national authorities to cooperate among themselves.

8. **We have embarked on a range of reforms to help achieve the objectives identified in the 2004 Biennial Surveillance Review (BSR)**.[9] These objectives consist of sharpening the focus of surveillance, deepening the coverage of exchange rate issues, enhancing financial sector surveillance, deepening the coverage of regional and global spillovers, making progress in improving debt sustainability and reducing balance sheet vulnerabilities, and enhancing surveillance in low-income countries. Recent and ongoing changes in these areas include:

- Issuing revised internal guidance on the bilateral surveillance process, to update and streamline our procedures and policies;
- Requiring more in-depth internal discussion before beginning bilateral surveillance discussions, with the aim of improving the selectivity and focus of analysis;
- Giving greater prominence to the discussion of exchange rate issues in bilateral surveillance documents and expanding work on assessing equilibrium exchange rates;

- Revising the Fund's framework for debt sustainability analysis to ensure realism in projections and to help integrate such analyses more fully into the surveillance process.

The BSR also identified a need for better ways of assessing the effectiveness of surveillance, and this will be taken up by the Board in late 2005.

9. **Financial sector issues are being further mainstreamed in surveillance work, consistent with the conclusions of the BSR**. Article IV consultation teams are being assisted in this area both by greater participation of financial sector experts and by increased training. A pilot project to test different modalities for closer coverage of financial sector issues in Article IV consultations will be completed by the end of the year, and the work of the Financial Market Review Group (see Section V.A) should contribute importantly to determining how this work should be organized. A recent review of the work program on financial soundness indicators highlighted progress in the pilot project involving the coordinated compilation of such indicators for 62 countries, and the indicators' increasing integration into financial sector surveillance.[10] The process of conducting in-depth analyses of member country financial systems will shortly come under further scrutiny in the context of the *Evaluation of Financial Sector Assessment Programs* (FSAPs), jointly conducted by the Fund's Independent Evaluation Office (IEO) and the World Bank's Operations Evaluation Department (OED). Staff has also prepared a study on the implications of Basel II for the Fund's membership and its work.

10. **The increasing importance of private capital flows makes it vital to build up the Fund's expertise on the issues surrounding capital account liberalization and to strengthen policy advice in this area.** This finding was highlighted both in the strategic review and in the IEO *Report on The IMF's Approach to Capital Account Liberalization*.[11] Staff is preparing a review of the key issues in this area and a proposal for a program of case studies.

11. **Surveillance of low-income countries has received new emphasis in the context of a broad-based assessment of the Fund's engagement with its poorer members** (see Section IV). As more low-income countries achieve macroeconomic stability and sustained growth, they will move into new phases of their relationship with the Fund, and surveillance will acquire new prominence as a form of engagement. The recent review of Poverty Reduction and Growth Facility (PRGF) program design examined some of the key economic policy choices confronting such countries (Section IV.B).

12. **With many countries facing important fiscal challenges, the Fund has continued to advance its analysis and policy advice on public investment and fiscal policy, and on related issues concerning government guarantees and fiscal risk.** A new framework for looking at public investment issues has been applied in eight pilot country cases, and experience with it has helped define directions for further work, which will be coordinated with the World Bank.[12] Another recent staff study focused on the contingent liabilities that

arise from government guarantees, and reviewed disclosure and fiscal accounting issues that arise in this context.[13]

13. **The Fund is strengthening its capacity building activities to enhance their effectiveness.** The strategic review has reaffirmed the importance of strong institutions in the face of globalization—a theme also sounded in a special analysis in the September 2005 *WEO*. The Fund can make an important contribution in this area through its technical assistance and training. In response to the IEO's *Evaluation of the Technical Assistance Provided by the IMF*, the Board has endorsed an action plan that will involve a central role for area departments in formulating technical assistance strategy, better integration of technical assistance with country surveillance and program work, steps to foster greater ownership of recommendations by country authorities, and enhanced monitoring and evaluation processes. Directors have also reviewed the experience of the Fund's regional technical assistance centers (RTACs), finding them to be highly effective in helping define priorities and providing flexible assistance with rapid follow-up.[14] However, higher administrative costs and funding vulnerabilities present challenges. Directors concurred that the Fund would need to develop a clear and comprehensive strategy for the use of RTACs, and that caution would be warranted in establishing new regional centers in the interim.

14. **An important adjunct to the Fund's surveillance and capacity building activities has been the standards and codes initiative.** This initiative was launched in 1999 by the Fund and the World Bank to promote greater financial stability through the development, dissemination, adoption, and implementation of international standards and codes. The initiative is also an important element of global efforts to strengthen transparency, both through its standards relating specifically to policy transparency and through the opportunities it provides for countries to make information available to the public. The initiative was recently reviewed by the Board, which noted its growing coverage—with most systemically important countries having participated—and the value added it has brought by identifying vulnerabilities and establishing priorities for strengthening domestic institutions.[15] A number of improvements are, however, needed, including to encourage greater country participation, prioritize assessments better, tighten the links to surveillance and technical assistance, improve the clarity of assessments, and enhance tools to compare compliance with standards across countries and over time. The costs to the Fund of work related to the initiative have declined in recent years, as the bulk of the work on creating standards has already taken place and the pace of assessments has slowed, and the strategic review notes that this trend should be expected to continue.

15. **The Fund has continued its intensive work on Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT) in close collaboration with the World Bank, and the Financial Action Task Force (FATF) and FATF-style regional bodies.** An update on the experience with assessments, technical assistance, and policy development found that implementation of this work program is progressing well. However, it also found that many countries (including industrial countries) are experiencing difficulties in implementing the revised FATF standard, because of its greater complexity and more extensive coverage. While ultimately country authorities themselves must assume the task of

ongoing application of the standard, implementation of the standard will require substantial technical assistance and a sequenced approach. Given the clear and urgent need to support member countries in implementing the revised standard, enhanced donor support for technical assistance remains critical.

16. **The Board has also reviewed the procedures governing the public dissemination of surveillance products and of other analyses**.[16] The Fund's transparency policy, which governs the publication of Fund staff reports to the Board and related documents, facilitates greater scrutiny of its work and enhances the leverage of its analysis in policy dialogues. Following the significant enhancements introduced in the wake of the 2003 review of this policy, the review that was recently discussed by the Board noted the continued increase in the openness of the Fund's operations, with 75 percent of country documents now published and less than five percent of the membership not consenting to the publication of any Fund views on their economies. Directors emphasized the critical importance of preserving the frankness of both the policy dialogue between Fund staff and members, and the information provided in staff reports to the Board. At the same time, the review highlighted the need for publicly disseminated information to be more timely and candid, and a number of procedural changes have been made with this objective in mind.

III. Use of Fund Resources and Crisis Resolution

17. **The provision of financial assistance to help members resolve balance of payments difficulties remains a central function of the Fund**. For maximum effectiveness, this assistance must support sound policy programs on the member's side, but must also come on appropriate terms from the Fund's side. Our recent work program has emphasized both these dimensions.

A. Program Design and Conditionality

18. **We continue to work to improve program design and the application of conditionality**. The lessons of the wide-ranging reviews conducted in the period leading up to the Spring Meetings are being applied in existing and new Fund arrangements through internal dissemination, training, and review work. Evaluations of past Fund-supported programs, starting in 2003 as part of the Fund's response to the IEO's evaluation of prolonged use of Fund resources, also continue to provide useful lessons for both program design and implementation. Thirty-two such ex post assessments (EPAs) have been conducted so far, including six since the Spring Meetings.[17]

19. **The safeguards assessment policy was reviewed in April and found to be broadly appropriate, and some small operational changes were introduced**. Safeguards assessments are used to provide reasonable assurances that central banks have adequate control systems in place to manage their resources and Fund disbursements. The exact procedures for safeguards assessments will now depend on whether the assessment takes place in the context of a new or an existing arrangement, and whether the central bank has been previously assessed. Directors also agreed to extend the safeguards policy to cases of

emergency post-conflict assistance, for which the modalities for the assessments would be determined on a case-by-case basis.

B. Adapting Financing Instruments and Modalities

20. **Longstanding challenges remain in the task of adapting the Fund's financing instruments to the new world of large-scale private capital flows.** Views continue to differ on the appropriate circumstances and scale of Fund financing, with many members emphasizing the scarcity of Fund resources or the risks of moral hazard, but many others stress that, to be useful, Fund assistance must be commensurate with members' potentially large-scale financing problems. The fact that members' quotas do not always reflect their economic weight also has a bearing on the scale of the Fund's support in relation to a country's quota—its traditional unit of measurement. Meanwhile, the scale of some recent Fund financing has also drawn attention to the need to ensure repayment as a member's access to private market financing improves.

21. **In a recent review of the charges and maturities of Fund financing, focused on bolstering the revolving character of Fund resources, Directors saw room for improvement in the direction of simplification, transparency, and clarity.**[18] During this preliminary exchange of views, Directors emphasized that any changes should be considered as part of a comprehensive reform package that provides appropriate incentives, and that options for reform should take into account the multiple purposes served through the policies on charges and maturities. Most Directors favored alignment of the surcharges that apply to the credit tranches and the Supplemental Reserve Facility (SRF), in order to remove the cost incentive for exceptional access financing from the credit tranches rather than the SRF. Directors called for the policy on time-based repurchase expectations to be ended, viewing the existence of both expectations and obligations schedules as inherently confusing. However, Directors considered that such a move should be accompanied by establishment of appropriate incentives to encourage advance repurchases, with many Directors taking the view that such incentives should be charges-based. Staff will return to the Board with specific proposals in these areas.

22. **Important issues were raised with regard to the SRF, to be reviewed later this year.** Directors noted that recent exceptional access cases have not involved the balance of payments needs of a very short-term nature that the facility was designed to address. A few Directors favored a modest lengthening of the maturity. More generally, Directors saw a need to examine the relevance of the facility in relation to the exceptional access framework and against the background of other facilities, including the possibility of its abolition and the incorporation of its useful features into the policy on high access in the credit tranches.

23. **Significant issues also remain with regard to the possibility of using Fund arrangements or other mechanisms for crisis prevention.** Views within the Board differ on the appropriateness of providing exceptional access under precautionary arrangements, and, as called for in the strategic review, a new round of debate will be needed to narrow

these differences. Staff is pursuing background analytical work on country insurance mechanisms, and the Board will hold a seminar on this issue later in the year.

C. Crisis Resolution

24. **The Fund has continued to work on issues relevant to the orderly resolution of financial crises, to put itself in a better position to meet the challenges that future crises could pose**. The Board has discussed papers on the determinants and prospects for market access by countries emerging from crisis, and the management of systemic banking crises in the context of sovereign debt restructurings. Staff continues to analyze developments in capital markets, including the effects of Fund support on market reaccess and of the adoption of collective action clauses. As regards the Fund's own role in this area, we continue to monitor the implementation of the Fund's lending into arrears policy. As noted in the strategic review, a review of the effectiveness of the Fund's instruments to facilitate crisis resolution, including the lending into arrears policy, is among the priorities in the near future.

25. **A separate report provides an update on developments in crisis resolution under the existing legal framework**.[19] It reviews advances in the adoption and design of collective action clauses, reports on recent cases of sovereign debt restructuring with private creditors, and discusses the evolution of the Evian approach and other Paris Club debt initiatives. It also provides a brief update on progress by the Institute of International Finance in broadening the consensus among emerging market issuers and private sector creditors on the *Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets*.

IV. Support for Low-Income Members

26. **The *United Nations 2005 World Summit on Implementing the Millennium Declaration* was an important opportunity to assess the progress in the global effort to implement the Monterrey Consensus and achieve the MDGs**. While significant advances have been made, bold actions are needed to realize the MDGs—especially in Sub-Saharan Africa, where the challenge of meeting them is most daunting.[20] The main contribution of the Fund to this effort consists in promoting macroeconomic and financial stability—a precondition for growth and poverty reduction—through policy advice, capacity building, and financial assistance. To maximize this contribution, the Fund has undertaken a reassessment of its role in low-income countries, focusing on adapting its instruments to the particular needs of the low-income membership, as well as on better defining its role "on the ground," particularly in the interaction with the authorities, civil society, and other development partners. The importance of efforts in these directions is underlined in the strategic review, with its accent on increased focus and flexibility. A key element of the Fund's work with low-income countries is helping them achieve and maintain debt sustainability, even as resource inflows need to be scaled up in pursuit of the MDGs. In this context, the Board has also held discussions on the G-8 debt cancellation proposal.

A. Debt Sustainability and Debt Relief

27. **Further progress has been made in implementing the enhanced Heavily Indebted Poor Countries (HIPC) initiative**. A total of 18 countries have reached the completion point. One additional country has reached the decision point since the Spring Meetings, bringing the total of countries between decision and completion points to 10.[21] Following the Fund and World Bank Boards' decision to extend possible eligibility for the initiative to 2006 to allow more countries to benefit from HIPC debt relief, while "ring-fencing" participation so as to avoid creating perverse incentives, staffs have drawn up a preliminary list of 13 countries (of which four had not previously been considered potentially eligible) that could potentially be eligible for HIPC assistance on the basis of end-2004 debt burden indicators and that have not as yet reached the decision point.[22] Because of data deficiencies, no assessment could be made of the potential eligibility of a few other countries. A final list of potentially eligible countries will be presented to the Boards in early 2006, once data issues have been settled. Grant resources will need to be mobilized to cover HIPC debt relief for the countries that are newly eligible as well as for the three protracted arrears cases (Liberia, Somalia, and Sudan).

28. **A proposal has recently been put forward by the G-8 for further debt relief for Heavily Indebted Poor Countries.** The proposal envisages the cancellation of 100 percent of the claims of the IMF, International Development Association, and African Development Fund on the countries that have reached, or will reach, the completion point under the enhanced HIPC initiative, with a view to ensuring a lasting exit from excessive and unsustainable debt. According to the proposal, the cost to the Fund would be met from its own resources, drawing *inter alia* on existing funds meant to finance HIPC debt relief and PRGF operations, supplemented as needed by the G-8 and other donors. Due to its financial and operational implications, the proposed debt relief by the Fund would at a minimum have to be approved by the Executive Board with an 85 percent majority of the total voting power, and require the consent of all the contributors to the PRGF Trust Subsidy Account.

29. **The Board welcomed the opportunity to discuss the G-8 proposal and has made good progress in discussions of ways to implement it, focusing primarily on questions of evenhandedness, conditionality, and financing.** Further debt relief by the Fund was viewed as an important contribution to the effort to support low-income members. Directors agreed that the use of Fund resources to finance debt relief must observe the principle of uniformity of treatment of Fund members, which requires that differentiation among members with respect to use of the Fund's resources be based on the application of relevant criteria, and discussed possible conditions that might be attached to the provision of debt relief from the Fund. They also emphasized the importance of protecting the Fund's balance sheet and income position and not impairing its future lending capacity for low-income members. In this regard they welcomed the G-8 commitment that donors would provide the resources necessary for the three protracted arrears cases, as well as the G-8 commitment to cover, on a fair burden-sharing basis, the costs of debt relief for those countries that may become eligible for HIPC assistance under the extended sunset clause, and to provide, on the same basis, up to US$350–500 million to meet other difficult-to-foresee costs (which would include,

according to current staff estimates, SDR 100 million for the interim PRGF and, potentially, SDR 110 million to expand the country coverage of the initiative by two countries in order to satisfy the requirement of uniformity of treatment). The Board's discussions so far have laid a good basis for us to move toward a final decision soon.

B. Strengthening the Fund's Instruments

30. **The Fund's reflection on the adequacy of its instruments for engaging its low-income members is nearing conclusion.** The PRGF will remain the main instrument for assisting these members. However, the emergence of a group of low-income countries that may not need the Fund's financial assistance on a sustained basis has motivated not only a new emphasis on surveillance in these cases, but an examination of possible other forms of engagement.

31. **Directors agreed in principle to the creation of a new window in the PRGF Trust aimed at helping low-income members facing exogenous shocks**. This window would provide concessional support to low-income members without a standard PRGF arrangement, and a potential safety net for members that wish to exit continuous PRGF program engagement. It would complement the existing instruments available to assist low-income countries facing shocks, such as augmentations of PRGF access, the Compensatory Financing Facility, the subsidized emergency assistance for natural disasters and post conflict cases, and the use of credit tranche resources.

32. **The Board also examined the ways in which the Fund supports and signals sound policies in its low-income members, and agreed to establish a new non-financial mechanism, the Policy Support Instrument (PSI)**. In reaching this agreement, Directors generally concluded that the Fund's existing instruments for low-income members could not fully meet their needs for Fund support, monitoring, and endorsement of policies independently from the provision of financing. The PSI will be available to PRGF-eligible countries with a poverty reduction strategy and a policy framework appropriate for consolidating macroeconomic stability, debt sustainability, and growth, which do not need the Fund's financial assistance. It will require country policies to meet the standard of upper credit tranche conditionality, and an on-track PSI would facilitate rapid access to concessional resources from the Fund in case of shocks. PSI-endorsed programs will be subject to regular semiannual reviews by the Board, which will provide a multidimensional assessment of policies in addition to a judgment of whether the program as a whole is on track. Safeguards assessments will remain optional for PSI users, but they will be encouraged, and quick access to Fund resources may not be possible for PSI users that choose not to undertake such an assessment. To fill information gaps for those countries where reviews under a PRGF arrangement are delayed, the Board also recommended that more frequent and more detailed assessment letters be used to prevent unwarranted interruption of donor support.

33. **The Board discussed the financing needs of the PRGF, including the new shocks window**. Directors emphasized the close linkages between the financing of the Fund's

concessional lending operations and further debt relief, and agreed that the Fund needs to be adequately equipped to meet future financing demands associated with its role in supporting low-income countries. Further analysis will be needed of the demand for PRGF financing over the medium term, incorporating the implications of potential debt relief and of the introduction of the PSI and the shocks window, and the options for increasing PRGF lending capacity. Directors underscored the need to ensure the availability of financing for the proposed shocks window.

34. **Directors reviewed the design of PRGF-supported programs in "mature stabilizers."**[23] While many low-income countries need significant macroeconomic adjustment, many others have achieved broad macroeconomic stability and sustained growth, often with the Fund's support. The review's focus on these countries was generally seen as useful, and the policy lessons as being, in many cases, pertinent also to other low-income countries, although Directors also recognized that PRGF-eligible countries are not a homogenous group and may require different approaches to program design. The review confirmed the importance of macroeconomic stability and openness for sustained growth, highlighted the central roles of private investment and exports, and also focused attention on the importance of institutions. It asked how fiscal space could be created for urgent spending needs, beyond what can be effected through a better allocation of existing resources. Increases in grants of course have potential in this regard, although even these must be managed carefully: the risk and consequences of real exchange rate appreciation must be recognized, but weighting these too highly leads quickly to an approach whereby aid is kept in reserves and the additional external resources provided are not absorbed. The choice between the other means of financing higher public spending—taxation and borrowing—requires that attention be given to issues of crowding out and to implications for debt sustainability. As regards monetary policy, the study found support for targeting single-digit inflation rates, but some room for looser monetary targets reflecting financial deepening.

C. Improving the Effectiveness of the Fund's Engagement with Low-Income Countries

35. **In collaboration with the staff of the World Bank, Fund staff has conducted an in-depth review of the Poverty Reduction Strategy (PRS) approach**.[24] The staff paper for this review draws lessons regarding the PRS as a model for more effective development cooperation, and suggests actions to strengthen it. Directors agreed that the PRS approach is a useful framework for balancing domestic and external accountabilities for development results and provides a platform for scaling up efforts to achieve the MDGs. They also noted that the use of alternative scenarios could bridge the gap between an operationally realistic PRS framework and more ambitious development plans, and suggested that Fund staff should provide assistance in preparing such scenarios, as countries may request. More generally, Directors emphasized that the Fund would play a critical role in helping countries manage higher aid inflows.

36. **The Fund is participating, within its mandate, in work to implement the March 2005 Paris Declaration on enhancing aid effectiveness**. The Declaration focuses on harmonizing donors' aid delivery procedures and reporting requirements and aligning

donors' support programs and technical assistance with recipient countries' priorities and systems, with a view to enhancing the effectiveness and predictability of aid and reducing its administrative costs for recipient countries.

D. Mobilizing Resources for Development

37. **Progress toward the MDGs requires a strengthening of countries' policy frameworks, but it will also require increased resources.** While there is significant scope to increase aid effectiveness, much larger aid flows are still needed to enable low-income countries to achieve the MDGs, and the Fund is a consistent advocate of more and better aid. Of course, aid is by no means the only source of financing that can support the achievement of the MDGs: private investment, both domestic and from foreign investors, is important to buttress economic growth. By helping low-income countries establish and maintain macroeconomic stability, the Fund contributes to creating an environment conducive to private investment and saving. Through its policy advice and advocacy efforts, the Fund is also working to ensure that international trade can act as a powerful engine for economic development in low-income countries.

38. **Fund staff continues to contribute to the work on innovative financing mechanisms for increasing development assistance, such as an International Finance Facility and global taxes.** Following up on a request from the Development Committee, Fund staff contributed a section on an international air travel tax to a World Bank paper on development financing for the forthcoming Development Committee meeting.[25] A number of proposals have now been fleshed out, but some raise technical concerns which need to be addressed, and the challenge of mobilizing sufficient political consensus for implementation remains.

39. **Fund and World Bank staff have formulated ways to provide stronger support for "aid for trade."**[26] The intention is to help low-income countries achieve the full benefits of trade liberalization and alleviate the supply constraints to exploiting trade opportunities. An important component of such efforts would be scaling up and expanding the activities of the Integrated Framework for Trade-Related Technical Assistance (IF)—an inter-agency initiative to coordinate trade-related technical assistance and mainstream trade into national strategies—which also entails increased assistance in the form of grants and loans from an IF-supported trust fund. Staffs also plan to examine the adequacy of existing mechanisms to address regional or cross-country trade needs, and explore new mechanisms as appropriate. To address adjustment costs arising from trade liberalization, staffs proposed a strengthened framework for assessing adjustment needs so that existing assistance mechanisms can be better utilized. The Fund's Trade Integration Mechanism (TIM) is already available to help countries address the pressures that may emerge from an ambitious outcome to the Doha round. Floating tranches under Fund arrangements could also be used to mitigate the balance of payments impact of trade reforms when the timing of those reforms is uncertain.

V. Governance of the Fund

A. Resource Management

40. **The Fund is committed to following best international practices for internal management, control, auditing, and governance**. To meet this challenge, the Fund has moved forward with reform of its budget practices, and with consideration of ways to further strengthen internal control, audit, and risk management. The medium-term strategy will constitute a key element of this work, as it provides a framework within which to assess priorities and determine which of the Fund's tasks should be scaled down in order to accommodate new demands. In addition, a staff task force has been formed that will propose performance indicators for the Fund's work.

41. **A crucial element in translating the medium-term strategy into an operational plan will be the development of a medium-term budgetary framework**. This framework will align the priorities identified by the strategy with the resource inputs and the primary outputs and activities of the Fund, in a multi-year framework. The Employment, Compensation, and Benefits Review (ECBR), aimed at ensuring that the Fund's employment framework reflects its priorities and that the Fund retains the highest caliber of human resources from as wide a geographical basis as possible, will also provide timely input into the preparation of the budgetary framework. A review of information technology outlays will also be important in this respect.

42. **The Fund also faces a number of organizational challenges.** The strategic review has identified a need to streamline the workload and procedures at all levels—staff, management, and Board—and to revisit the way departments are organized. A Financial Market Review Group of outside experts is currently considering the organization of the Fund's work in the financial sector, and is expected to provide its conclusions by November.

43. **The present declining level of financing and high concentration in the use of Fund resources present significant challenges for the Fund.** Further Board consideration of issues relating to the financial risks facing the Fund and the level of precautionary balances is planned for the next few months. The Board has discussed key issues and modalities for establishing and operating an investment account, intended to broaden sources of income in light of lower lending activities. Directors also took stock of how the Fund's current audit arrangements compare with international best practices. A staff task force has been established to take stock of the Fund's various risk and control mechanisms, including in comparison to other organizations, and formulate options for possible changes in the Fund's practices. The task force is expected to complete an initial report in the next few months.

B. Quotas and Voice

44. **Fair weight and voice are crucial to the legitimacy of a universal institution.** The current allocation puts this legitimacy at risk in many regions, for example in Africa, where

the Fund is heavily engaged, and in Asia, whose place in the world economy has grown far more than its role in the Fund.

45. **Directors explored in a seminar the options for moving forward in this area.** There was broad agreement that all members stand to benefit from adjustments that enhance the Fund's legitimacy, and it was recognized that progress will require broad consensus among shareholders. In this preliminary discussion, Directors examined the scope for change, including in the absence of a general quota increase, should it be determined at the appropriate time that no need for such an increase exists. Among the measures discussed were *ad hoc* increases for selected countries whose quotas are most out of line; voluntary adjustments in quotas among country groups or individual members, to better reflect members' relative positions in the world economy; and an increase in basic votes, to correct the erosion of voting power of the African countries and other relatively small-quota countries. There was support for a simpler and more transparent quota formula, although Directors held differing views on whether adjustments in actual quotas should be linked to agreement on a new formula. The future work program on this issue, including in the period leading up to the 2006 Annual Meetings, will need to take careful account of the suggestions that emerged during the seminar, and of the possibility of combining the various options in a package that could gain broad support.

References

[1] *Global Monitoring Report 2005—Millennium Development Goals: From Consensus to Momentum* (http://www.imf.org/external/pubs/ft/gmr/2005/eng/pdf/gmr.pdf).

[2] *The Managing Director's Report On The Fund's Medium-Term Strategy*, September 15, 2005 (http://www.imf.org/external/np/omd/2005/eng/091505.pdf).

[3] *World Economic Outlook: Building Institutions*, September 2005 (http://www.imf.org/external/pubs/ft/weo/2005/02/index.htm).

[4] *Global Financial Stability Report: Market Developments and Issues*, September 2005 (http://www.imf.org/external/pubs/ft/gfsr/2005/02/index.htm).

[5] *Central America: Global Integration and Regional Cooperation*, edited by Markus Rodlauer and Alfred Schipke, IMF Occasional Paper No. 243 (http://www.imf.org/external/pubs/ft/op/243/index.htm).

[6] Public Information Notice (PIN) No. 05/118, *IMF Executive Board Concludes Discussion on the Eastern Caribbean Currency Union Region* (http://www.imf.org/external/pubs/ft/scr/2005/cr05304.pdf).

[7] *Sub-Saharan Africa Regional Economic Outlook* (forthcoming).

[8] *Asia and Pacific Department Regional Outlook* (forthcoming).

[9] Public Information Notice No. 04/95, August 24, 2004, *IMF Executive Board Reviews the Fund's Surveillance* (http://www.imf.org/external/np/sec/pn/2004/pn0495.htm).

[10] *Progress on the Financial Soundness Indicators Work Program* (http://www.imf.org/external/np/sta/fsi/eng/2005/061405.htm).

[11] Press Release No. 05/02, May 25, 2005, *IMF's Independent Evaluation Office Announces Release of Report on the IMF's Approach to Capital Account Liberalization* (http://www.imf.org/External/NP/ieo/2005/pr/eng/pr0502.htm).

[12] Public Information Notice No. 05/68, May 27, 2005, *IMF Executive Board Holds Follow Up Meeting on Public Investment and Fiscal Policy* (http://www.imf.org/external/np/sec/pn/2005/pn0568.htm).

[13] *Government Guarantees and Fiscal Risk* (http://www.imf.org/external/np/pp/eng/2005/040105c.pdf).

[14] Public Information Notice (PIN) No. 05/113, August 12, 2005, *IMF Concludes Review of the Fund's Regional Technical Assistance Centers* (http://www.imf.org/external/np/sec/pn/2005/pn05113.htm).

[15] Public Information Notice No. 05/106, August 8, 2005, *IMF Executive Board Reviews the Standards and Codes Initiative* (http://www.imf.org/external/np/sec/pn/2005/pn05106.htm).

[16] Public Information Notice No. 05/116, August 15, 2005, *IMF Executive Board Reviews the Fund's Transparency Policy* (http://www.imf.org/external/np/sec/pn/2005/pn05116.htm).

[17] Ex post assessments of longer term program engagement for Cameroon (http://www.imf.org/external/pubs/ft/scr/2005/cr05189.pdf); Sierra Leone (http://www.imf.org/external/pubs/ft/scr/2005/cr05192.pdf); Azerbaijan Republic

(http://www.imf.org/external/pubs/ft/scr/2005/cr05259.pdf); The Gambia (http://www.imf.org/external/np/sec/pn/2005/pn05121.htm) ; and ex post assessment of performance under Fund-supported programs for Uganda (http://www.imf.org/external/pubs/ft/scr/2005/cr05306.pdf).

[18] Public Information Notice No. 05/101, August 1, 2005, *IMF Executive Board has Preliminary Discussions on Charges and Maturities*, http://www.imf.org/external/np/sec/pn/2005/pn05101.htm.

[19] *Progress Report on Crisis Resolution* (http://www.imf.org/external/am/2005/imfc/list.htm).

[20] *Global Monitoring Report 2005—MDGs: From Consensus to Momentum*, and UN Secretary-General Report *In Larger Freedom: Towards Development, Security, and Human Rights for All* (http://www.un.org/largerfreedom/).

[21] Public Information Notice (PIN) No. 05/129, September 21, 2005, *IMF Executive Board Discusses the Status of Implementation of the Enhanced HIPC Initiative* (http://www.imf.org/external/np/sec/pn/2005/pn05129.htm).

[22] *Enhanced HIPC Initiative: Possible Options Regarding the Sunset Clause*, Prepared by the staffs of the IMF and IDA, July 7, 2004 (http://www.imf.org/external/NP/hipc/2004/070704.htm).

[23] Public Information Notice (PIN) No. 05/127, September 16, 2005, *IMF Executive Board Discusses PRGF Program Design* (http://www.imf.org/external/np/sec/pn/2005/pn05127.htm) and the background papers *Review of PRGF Program Design—Overview*, August 8, 2005 (http://www.imf.org/external/np/pp/eng/2005/080805r.pdf), *The Macroeconomics of Managing Increased Aid Inflows: Experiences of Low-Income Countries and Policy Implications,* August 8, 2005 (http://www.imf.org/external/np/pp/eng/2005/080805a.pdf), *Can PRGF Policy Levers Improve Institutions and Lead to Sustained Growth?* August 8, 2005 (http://www.imf.org/external/np/pp/eng/2005/080805L.pdf), and *Monetary and Fiscal Policy Design Issues in Low-Income Countries*, August 8, 2005 (http://www.imf.org/external/np/pp/eng/2005/080805m.pdf).

[24] *Joint World Bank and IMF Report on Poverty Reduction Strategy Papers—Progress in Implementation* (http://www.imf.org/external/np/pp/eng/2005/020205.pdf).

[25] World Bank, *Aid Financing and Aid Effectiveness*, background paper for the Fall 2005 Development Committee meeting (http://siteresources.worldbank.org/DEVCOMMINT/Documentation/20651878/DC2005-0020(E)-AidFin.pdf).

[26] *Doha Development Agenda and Aid for Trade*, September 19, 2005 (http://www.imf.org/external/np/pp/eng/2005/091905.pdf).

Table 1. Participation in Transparency, FSAP, and Standards and Codes Initiatives 1/ 2/

(As of August 31, 2005)

	(1) Africa	(2) Developing Asia	(3) Central and Eastern Europe	(4) CIS and Mongolia	(5) Western Hemisphere	(6) Middle East	(7) Advanced Economies	(8) Total IMF Members 3/
Number of Members	51	29	17	13	32	14	28	184
Initiatives:								
SDDS Subscriber 4/								
Number of subscribers	2	5	12	6	10	1	25	61
GDDS Participant 5/								
Number of members	39	11	3	4	17	5	0	79
PIN Published								
Number of members 6/	50	28	17	12	31	13	28	179
Percentage	98%	97%	100%	92%	97%	93%	100%	97%
Article IV Staff Report Published								
Number of members	49	22	17	11	26	8	28	161
Percentage	96%	76%	100%	85%	81%	57%	100%	88%
FSAPs Completed								
Number of members	17	5	14	9	20	9	18	92
Percentage	33%	17%	82%	69%	63%	64%	64%	50%
ROSC Modules Completed								
Number of members 7/	26	13	17	11	22	10	26	125
Percentage	51%	45%	100%	85%	69%	71%	93%	68%
ROSC Modules Completed								
Number of modules 8/	118	53	144	70	104	44	137	670
Percentage of total modules	18%	8%	21%	10%	16%	7%	20%	100%
ROSC Modules Published								
Number of members	25	10	16	11	20	6	26	114
Percentage	49%	34%	94%	85%	63%	43%	93%	62%
ROSC Modules Published								
Number of modules 8/	79	27	134	47	55	15	137	494
Percentage of completed modules	67%	51%	93%	67%	53%	34%	100%	74%

Source: IMF and World Bank staff estimates.

1/ This table does not include territories, special administrative regions (SARs), and monetary unions except for SDDS and ROSCs. SDDS subscribers include Hong Kong SAR, and ROSC figures include fourteen completed and published modules for Hong Kong SAR, the Euro Area, and the ECCB.

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

3/ Except for the lines "SDDS Subscribers - Number of Subscribers" and "ROSC Modules Completed - Numbers of Modules".

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

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

6/ The number of members that published at least one such document.

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

8/ Shows the total number of completed modules. A member can have more than one full assessment for the same standard. Includes fourteen completed and published modules for Hong Kong SAR, the Euro Area, and the ECCB.

Table 2. FSAP Participation

(As of August 31, 2005)

Countries Completed 1/		Countries Under Way	Future Participation Confirmed 6/
Albania	Kyrgyz Republic 3/	Argentina 4/	Australia
Algeria	Latvia	Bahrain	Bosnia and Herzegovina
Antigua and Barbuda	Lebanon 2/ 3/	Belgium	Brunei
Armenia 3/	Lithuania	Cote d'Ivoire 4/	Burkina Faso
Austria	Luxembourg	Greece	Cape Verde
Azerbaijan	Macedonia, FYR	Italy	Central African Republic
Bangladesh	Malta	Jamaica	China
Barbados	Mauritius	Madagascar	Denmark
Belarus	Mexico	Mauritania	Fiji
Bolivia	Moldova	Namibia	Guyana
Brazil	Morocco	Paraguay	Portugal
Bulgaria	Mozambique	Serbia and Montenegro 5/	Qatar
Cameroon 2/	Netherlands	Spain	San Marino
Canada 2/	New Zealand	Trinidad and Tobago	Sierra Leone
Chile	Nicaragua	Uruguay 4/	Thailand
Colombia 2/ 3/	Nigeria		Turkey
Costa Rica	Norway		Venezuela
Croatia	Oman		
Czech Republic	Pakistan		
Dominica	Peru 3/		
Dominican Republic	Philippines 3/		
Ecuador	Poland 3/		
Egypt	Romania		
El Salvador 2/ 3/	Russia		
Estonia 2/	Rwanda		
Finland	Saudi Arabia		
France	Senegal 3/		
Gabon	Singapore		
Georgia 3/	Slovak Republic		
Germany	Slovenia 3/		
Ghana 3/	South Africa 2/ 3/		
Grenada	Sri Lanka		
Guatemala 3/	St. Kitts and Nevis		
Honduras	St. Lucia		
Hong Kong SAR	St. Vincent and the		
Hungary 2/ 3/	Grenadines		
Iceland 3/	Sudan		
India 2/	Sweden		
Iran 2/ 3/	Switzerland		
Ireland 2/ 3/	Tanzania		
Israel	Tunisia 3/		
Japan	Uganda 3/		
Jordan	Ukraine		
Kazakhstan 2/ 3/	United Arab Emirates		
Kenya	United Kingdom		
Korea	Yemen		
Kuwait	Zambia		

1/ Defined as when the IMF Executive Board has discussed the Financial System Stability Assessment.
2/ The initial assessment was part of the pilot program.
3/ An update took place or was formally requested.
4/ Postponed.
5/ May be conducted as two assessments.
6/ A regional FSAP for CEMAC countries is planned for 2006.

Table 3. HIPC Initiative: Committed Debt Relief and Outlook 1/

(As of September 7, 2005)
(In millions of US dollars, in NPV terms in the year of the decision point)

	Reduction in NPV Terms			Nominal Debt Service Relief			
	Original HIPC Initiative	Enhanced HIPC Initiative	Total	Original HIPC Initiative	Enhanced HIPC Initiative	Total	Completion / Decision Point Date
Countries that have reached their Completion Points (18)							
TOTAL	**3,118**	**19,020**	**22,138**	**6,364**	**31,252**	**37,616**	
Benin	0	265	265	0	460	460	Mar-03
Bolivia	448	854	1,302	760	1,300	2,060	Jun-01
Burkina Faso 2/	229	324	553	400	530	930	Apr-02
Ethiopia 2/	0	1,982	1,982	0	3,275	3,275	Apr-04
Guyana	256	335	591	634	719	1,353	Dec-03
Ghana	0	2,186	2,186	0	3,500	3,500	Jul-04
Honduras	0	556	556	0	1,053	1,053	Apr-05
Madagascar	0	836	836	0	1,900	1,900	Oct-04
Mali	121	417	539	220	675	895	Mar-03
Mauritania	0	622	622	0	1,100	1,100	Jun-02
Mozambique	1,717	306	2,023	3,700	600	4,300	Sep-01
Nicaragua	0	3,308	3,308	0	4,500	4,500	Jan-04
Niger 2/	0	664	664	0	1,190	1,190	Apr-04
Rwanda 2/	0	696	696	0	1,400	1,400	Apr-05
Senegal	0	488	488	0	850	850	Apr-04
Tanzania	0	2,026	2,026	0	3,000	3,000	Nov-01
Uganda	347	656	1,003	650	1,300	1,950	May-00
Zambia	0	2,499	2,499	0	3,900	3,900	Apr-05
Countries that have reached their Decision Points (10)							
TOTAL	**0**	**10,934**	**10,934**	**0**	**18,751**	**18,751**	
Burundi	0	826	826	0	1,472	1,472	Aug-05
Cameroon	0	1,260	1,260	0	2,800	2,800	Oct-00
Chad	0	170	170	0	260	260	May-01
Congo, Dem. Rep. of the	0	6,311	6,311	0	10,389	10,389	Jul-03
Gambia, The	0	67	67	0	90	90	Dec-00
Guinea	0	545	545	0	800	800	Dec-00
Guinea-Bissau	0	416	416	0	790	790	Dec-00
Malawi	0	643	643	0	1,000	1,000	Dec-00
São Tomé and Príncipe	0	97	97	0	200	200	Dec-00
Sierra Leone	0	600	600	0	950	950	Mar-02
Countries still to be considered (10)							
Côte d'Ivoire 3/	345	…	345	800	…	800	Mar-98
Central African Republic	…	…	…	…	…	…	
Comoros	…	…	…	…	…	…	
Congo, Rep. of	…	…	…	…	…	…	
Lao PDR	…	…	…	…	…	…	
Liberia	…	…	…	…	…	…	
Myanmar	…	…	…	…	…	…	
Somalia	…	…	…	…	…	…	
Sudan	…	…	…	…	…	…	
Togo	…	…	…	…	…	…	
Memorandum item:							
Debt relief committed	**3,118**	**29,954**	**33,071**	**6,364**	**50,003**	**56,367**	

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

1/ Committed debt relief under the assumption of full participation of creditors.

2/ The assistance under the enhanced HIPC Initiative includes topping up with the NPV calculated in the year of the completion point.

3/ Côte d'Ivoire reached its decision point under the original HIPC Initiative in 1998, but did not reach its completion point under the original HIPC Initiative, nor has it reached the decision point under the enhanced HIPC Initiative. The amounts of debt relief shown are only indicative of debt relief under the originial HIPC Initiative and are based on a preliminary document issued.

Table 4. HIPC Initiative: Status of Commitments by the IMF

(In millions of SDRs; as of August 25, 2005)

Member	Decision Point	Completion Point	Amount Committed		Amount Disbursed 1/
Under the Original HIPC Initiative					
Bolivia	Sep. 1997	Sep. 1998	21.2		21.2
Burkina Faso	Sep. 1997	Jul. 2000	16.3		16.3
Côte d'Ivoire	Mar. 1998	--	16.7	2/	--
Guyana	Dec. 1997	May. 1999	25.6		25.6
Mali	Sep. 1998	Sep. 2000	10.8		10.8
Mozambique	Apr. 1998	Jun. 1999	93.2		93.2
Uganda	Apr. 1997	Apr. 1998	51.5		51.5
Total Original HIPC			**235.3**		**218.6**
Under the Enhanced HIPC Initiative					
Benin	Jul. 2000	Mar. 2003	18.4		20.1
Bolivia	Feb. 2000	Jun. 2001	41.1		44.2
Burkina Faso	Jul. 2000	Apr. 2002	27.7		29.7
Burundi	Aug. 2005	Floating	19.3		0.1
Cameroon	Oct. 2000	Floating	28.5		5.5
Chad	May. 2001	Floating	14.3		8.6
Congo, Democratic Rep. 4/	Jul. 2003	Floating	228.3	3/	2.3
Ethiopia	Nov. 2001	Apr. 2004	45.1		46.7
Gambia, The	Dec. 2000	Floating	1.8		0.1
Ghana	Feb. 2002	Jul. 2004	90.1		94.3
Guinea	Dec. 2000	Floating	24.2		5.2
Guinea-Bissau	Dec. 2000	Floating	9.2		0.5
Guyana	Nov. 2000	Dec. 2003	31.1		34.0
Honduras	Jun. 2000	Apr. 2005	22.7		26.4
Madagascar	Dec. 2000	Oct. 2004	14.7		16.4
Malawi	Dec. 2000	Floating	23.1		11.6
Mali	Sep. 2000	Mar. 2003	34.7		38.5
Mauritania	Feb. 2000	Jun. 2002	34.8		38.4
Mozambique	Apr. 2000	Sep. 2001	13.7		14.8
Nicaragua	Dec. 2000	Jan. 2004	63.5		71.2
Niger	Dec. 2000	Apr. 2004	31.2		34.0
Rwanda	Dec. 2000	Apr. 2005	46.8		37.5
São Tomé and Príncipe	Dec. 2000	Floating	--		--
Senegal	Jun. 2000	Apr. 2004	33.8		38.4
Sierra Leone	Mar. 2002	Floating	98.5		66.0
Tanzania	Apr. 2000	Nov. 2001	89.0		96.4
Uganda	Feb. 2000	May. 2000	68.1		70.2
Zambia	Dec. 2000	Apr. 2005	468.8		508.3
Total Enhanced HIPC			**1,622.5**		**1,359.1**
Grand Total			**1,857.7**		**1,577.6**

Source: IMF Finance Department; also available at www.imf.org/external/fin.htm.

1/ Includes interest on amounts committed under the Enhanced HIPC Initiative.

2/ Equivalent to the committed amount of US $22.5 million at decision point exchange rates (3/17/98).

3/ Amount committed is equivalent to the remaining balance of the total IMF HIPC assistance of SDR 337.9 million, after deducting SDR 109.6 million representing the concessional element associated with the disbursement of a PRGF loan following the DRC's clearance of arrears to the IMF on June 12, 2002.

Table 5. Access Under Fund Arrangements By Year Of Approval, 1995–2005 1/ 2/

(In percent of quota, unless otherwise indicated; as of July 31, 2005)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005 3/
Number of arrangements approved											
All arrangements	30	33	21	21	20	23	21	20	21	13	8
Non-exceptional arrangements	29	31	18	19	19	22	20	18	19	13	6
Commitments (on approval)											
In percent of total quota	15	9	20	17	6	6	7	18	7	1	4
In billions of SDRs	21	13	29	24	14	12	15	39	15	2	8
GRA Resources											
Average annual access											
SBA											
Non-exceptional 4/	52	39	36	44	43	46	34	39	55	21	60
Exceptional, SRF	500	...	329	200	100	...	320	510	156	...	157
Precautionary	27	27	27	42	21	40	30	30	55	17	35
EFF											
Non-exceptional	38	37	28	50	46	12	...	46	12	...	...
Exceptional, SRF	...	53	...	144	...	58	...	...	...	...	...
Precautionary	...	...	...	45	21	...	...	...	...	...	...
SBA and EFF											
Non-exceptional 4/	50	38	33	46	42	43	34	40	50	21	60
Exceptional, SRF	500	53	329	172	100	58	320	510	156	...	157
Precautionary	27	27	27	43	21	40	30	30	55	17	35
Range of average annual access											
SBA											
Non-exceptional 4/	24-100	18-80	24-69	20-81	20-85	18-85	16-57	19-97	25-100	7-42	35-86
Exceptional, SRF	500	...	163-646	200	100	...	320	456-564	141-170	...	83-230
EFF											
Non-exceptional	33-43	17-55	20-45	45-55	21-84	12	...	46	12	...	...
Exceptional, SRF	...	53	...	144	...	58	...	...	...	...	...
Projected use of Fund credit outstanding at start of arrangement, including special facilities											
SBA	58	71	47	41	84	52	47	76	111	47	373
EFF	66	145	78	217	94	224	...	68	53	...	...
Projected use of Fund credit outstanding at end of arrangement, including special facilities											
SBA	142	103	365	116	133	103	113	109	184	47	266
EFF	147	230	189	317	181	237	...	163	118	...	...
Concessional Resources											
Average annual access											
SAF	50	...	...	...	...	...	...	...	...	...	...
ESAF/PRGF	36	35	35	25	24	22	25	21	16	16	7
Range of average annual access											
SAF 5/	50	...	...	...	...	...	...	...	...	...	...
ESAF/PRGF	20-64	20-50	25-50	27-53	14-40	5-33	17-42	2-36	3-31	3-30	3-15
Projected use of Fund credit outstanding at start of arrangement, including special facilities											
SAF	151	...	...	...	...	...	...	...	...	...	...
ESAF/PRGF	113	87	96	94	103	78	98	74	71	84	136
Projected use of Fund credit outstanding at end of arrangement, including special facilities											
SAF	235	...	...	...	...	...	...	...	...	...	...
ESAF/PRGF	154	166	183	169	134	122	123	109	90	85	117

Sources: Executive Board documents, and information provided by the Finance Department.

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

2/ Access expressed in terms of quotas of: Ninth General Review of Quotas through January 1999; 11th General Review of Quotas through January 2003, and 12th Review of Quotas thereafter.

3/ As of end-July 2005.

4/ Including first credit tranche arrangements.

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

Table 6. Current Financial Arrangements (GRA)
(In millions of SDRs; as of August 25, 2005)

Member	Date of Approval	Date of Expiration	Amount Agreed	Undrawn Balance	IMF Credit Outstanding
Stand-by Arrangements					
Argentina	9/20/03	9/19/06	8,981	4,810	7,499
Bolivia	4/2/03	3/31/06	172	60	106
Bulgaria	8/6/04	9/5/06	100	100	672
Colombia	5/2/05	11/2/06	405	405	--
Croatia	8/4/04	4/3/06	97	97	--
Dominican Republic	1/31/05	5/31/07	438	385	184
Paraguay	12/15/03	9/30/05	50	50	--
Peru	6/9/04	8/16/06	287	287	40
Romania	7/7/04	7/6/06	250	250	217
Turkey	5/11/05	5/10/08	6,662	6,107	10,985
Uruguay	6/8/05	6/7/08	766	736	1,666
11 Arrangements			18,208	13,287	21,369
Extended Arrangements					
Serbia and Montenegro	5/14/02	12/31/05	650	63	654
Sri Lanka	4/18/03	4/17/06	144	124	228
2 Arrangements			794	186	883
Total 13 STBY and EFF			19,002	13,473	22,252

Source: IMF Finance Department; also available at www.imf.org/external/fin.htm, updated on a weekly basis.

Table 7. Current Financial Arrangements (PRGF)
(In millions of SDRs; as of August 25, 2005)

Member	Date of Approval	Date of Expiration	Amount Agreed	Undrawn Balance	IMF Credit Outstanding
Albania	6/21/2002	11/20/2005	28	--	66
Armenia	5/25/2005	5/24/2008	23	20	131
Bangladesh	6/20/2003	12/31/2006	400	185	216
Benin	8/5/2005	8/4/2008	6	5	38
Burkina Faso	6/11/2003	8/15/2006	24	10	74
Burundi	1/23/2004	1/22/2007	69	29	41
Chad	2/16/2005	2/15/2008	25	21	61
Congo, Dem. Rep. of	6/12/2002	10/31/2005	580	53	527
Dominica	12/29/2003	12/28/2006	8	3	4
Georgia	6/4/2004	6/3/2007	98	56	174
Ghana	5/9/2003	10/31/2006	185	79	307
Guyana	9/20/2002	9/12/2006	55	28	59
Honduras	2/27/2004	2/26/2007	71	41	126
Kenya	11/21/2003	11/20/2006	225	150	114
Kyrgyz Republic	3/15/2005	3/14/2008	9	8	130
Malawi	8/5/2005	8/4/2008	38	33	43
Mali	6/23/2004	6/22/2007	9	7	82
Mozambique	7/6/2004	7/5/2007	11	7	121
Nepal	11/19/2003	11/18/2006	50	36	14
Nicaragua	12/13/2002	12/12/2005	98	42	144
Niger	1/31/2005	1/30/2008	7	6	81
Republic of Congo	12/6/2004	12/5/2007	55	39	18
Rwanda	8/12/2002	2/11/2006	4	1	57
Sao Tome and Principe	8/1/2005	7/31/2008	3	3	2
Senegal	4/28/2003	4/27/2006	24	14	111
Sri Lanka	4/18/2003	4/17/2006	269	231	38
Tajikistan	12/11/2002	2/10/2006	65	10	93
Tanzania	8/16/2003	8/15/2006	20	6	250
Uganda	9/13/2002	12/31/2005	14	2	109
Zambia	6/16/2004	6/15/2007	220	50	493
30 arrangements			2,692	1,171	3,724

Source: IMF Finance Department; also available at www.imf.org/external/fin.htm, updated on a weekly basis.

Table 8. IMF's Financial Resources and Liquidity Position, 2002-2005 1/
(In billions of SDRs unless otherwise indicated; end-of-period; as of July 31, 2005)

					July 2005	
		2002	2003	2004	SDRs	US$
I.	Total resources	218.1	219.1	220.6	221.0	321.0
	Members' currencies	210.3	211.3	213.1	213.6	310.0
	SDR holdings	1.2	1.1	0.8	0.5	1.0
	Gold holdings	5.9	5.9	5.9	5.9	8.0
	Other assets	0.8	0.9	0.8	1.0	1.0
	Available under GAB/NAB activation	-	-	-	-	-
II.	Less:Non-usable resources	117.9	118.4	109.2	91.3	133.0
	Of which: Credit outstanding	63.6	65.0	55.4	43.2	63.0
III.	Equals:Usable resources	100.2	100.7	111.3	129.7	188.0
IV.	Less:Undrawn balances under GRA arrangements	31.9	22.8	19.4	13.2	20.0
V.	Equals:Uncommitted usable resources	68.3	77.9	91.9	116.2	169.0
VI.	Plus:Repurchases one-year forward	19.0	9.2	12.9	9.7	14.0
VII.	Less:Prudential balance	32.6	32.8	32.8	34.0	49.0
VIII.	Equals:One-year forward commitment capacity (FCC) 2/	**54.7**	**54.2**	**71.9**	**91.8**	**133.0**
	Memorandum items:					
	Potential GAB/NAB borrowing	34.0	34.0	34.0	34.0	49.0
	Quotas of members that finance IMF transactions	163.1	164.1	164.1	170.1	247.0
	Liquid liabilities	66.1	66.5	55.7	43.1	63.0
	Liquidity ratio (in percent)	83.8	104.2	149.5	234.5	...
	US$ per SDR	1.35952	1.48597	1.55301	1.45186	...

Source: IMF Finance Department; also available at www.imf.org/external/fin.htm, updated on a monthly basis.

1/ Figures may not add due to rounding.

2/ The FCC is defined as the Fund's stock of usable resources less undrawn balances under existing arrangements, plus projected repurchases during the coming 12 months, less a prudential balance intended to safeguard the liquidity of creditors' claims and to take account of any erosion of the Fund's resource base.