INTERNATIONAL MONETARY FUND

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

September 16, 2003

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I. INTRODUCTION

1. **The global situation as we gather for the 2003 Annual Meetings of the Bretton Woods institutions presents important challenges and opportunities.** On the positive side, the balance of risks to the outlook has improved and the global economy and financial system have proved reasonably resilient to recent shocks and the bursting of the equity price bubble. There are signs of renewed recovery in industrial countries, led by the United States. Many emerging market economies have maintained high growth rates, and made progress in reducing their vulnerability to crises by strengthening financial systems and fiscal positions and adopting exchange rate regimes more suited to their degree of financial integration. There are promising signs of stronger growth in a number of low-income countries, with a new political commitment to improve the environment for the private sector to play a leading role in growth and poverty reduction.

2. **But by no means are we out of the woods.** While there are increasing signs that the expected pick up in global activity is getting underway, it is as yet unclear how durable and robust it will be, and it remains overly dependent on the United States. Large current account imbalances among the major regions heighten the risk of potentially disorderly currency movements and protectionist pressures. The aftermath of the equity bubble may continue to weigh on investment, and financial markets need to be further strengthened. Many countries, both advanced and developing, face significant medium-term fiscal pressures and structural reform challenges. Recent progress notwithstanding, many emerging market countries still have important vulnerabilities. In low-income countries, significantly faster growth is needed to achieve the Millennium Development Goals (MDGs).

3. **The task for the international community is thus to build a strong and more broad-based global recovery, address global imbalances, and strengthen long-term growth fundamentals.** As discussed in my statement to Ministers on the World Economic Outlook (WEO):

- Advanced economies should pursue supportive monetary policies, while making more ambitious efforts to tackle long-standing structural impediments to growth and address medium-term fiscal pressures;

- Emerging market economies should vigorously pursue structural reforms and strengthen underlying fiscal positions, while taking advantage of the current financing environment to improve debt structures;

- Low-income members should actively work to improve the domestic conditions for investment and growth, including through strengthening institutions, while preserving the gains from greater macroeconomic stability; and

- The cooperative approach to global adjustment would be helped by currency adjustments that are more broadly spread.

4. **The IMF will continue to be proactive in identifying and speaking up on the key issues for securing sustained and inclusive growth in the global economy and making globalization work for all. The Doha Development Round is vital to the economic prospects of all members and we must all strive for its successful conclusion.** Strengthening international trade will build confidence, support the emerging economic recovery and, by demonstrating a forceful commitment to the development agenda, reduce the risk of fragmentation among nations. Trade is the means by which developing countries can help themselves, by generating growth and reducing dependence on aid and vulnerability to crisis. For many countries, however, the global market place remains replete with obstacles, especially in agriculture. Our task must be to remove these obstacles and provide the opportunity for all countries to reap fully the benefits of globalization.

5. **This report provides an overview of the Fund's policy agenda**, with particular emphasis on developments since the Spring 2003 meeting of the IMFC and on the work program for the period ahead. Over the past several years, the institution has been engaged in an intensive process of change motivated by the financial crises of the 1990s and the challenge of intensifying global efforts to fight poverty. In this context, we have launched an extensive range of new initiatives designed to improve the functioning of the international financial system. These include strengthened surveillance, new guidelines on conditionality, greater transparency, enhanced technical assistance, and improved crisis management and resolution. It is important to focus our work in the period ahead on steadfast implementation of these initiatives. Within this framework, our efforts will be directed towards five broad objectives:

- Further improving our surveillance, including our capacity to identify and reduce economic and financial vulnerabilities;
- Promoting more effective crisis resolution;
- Helping members to strengthen their institutional capacity, through our policy advice and technical assistance;
- Supporting low-income members in their efforts to achieve more rapid and sustained economic growth and poverty reduction, and carrying forward the enhanced Heavily Indebted Poor Countries (HIPC) Initiative; and
- Increasing the Fund's transparency and accountability and strengthening its cooperative nature.

II. Surveillance and Global Financial Stability

6. **It is essential that surveillance be evenhanded across the Fund's diverse membership.** New challenges facing member countries have emerged as the global economy has become more integrated and interdependent and as international capital markets have increased in importance. The framework for Fund surveillance in an increasingly globalized world has been strengthened substantially in recent years and further enhancements, including a number that draw on recommendations of the Independent Evaluation Office

(IEO), are in train.[1] The Executive Board has had a preliminary exchange of views on ways to improve further the quality of Fund surveillance, focusing on its role in providing fresh assessments of economic conditions and policies in member countries, especially those which have or have had Fund arrangements.[2] It will further consider these and other issues, including the surveillance of the policies of systemically and regionally important countries, in the context of the 2004 biennial review of surveillance. An important element of this work is to improve the link between the findings of the Fund's surveillance and the actions taken by those responsible for national economic policies.

A. Focusing on Systemic Issues and the Policies of the Major Economies

7. **The Fund is working to intensify its focus on systemic issues, including exchange rate policies, global imbalances, and capital markets.** These efforts are being pursued through both bilateral and multilateral surveillance. The WEO, the Executive Board's regular World Economic and Market Developments sessions and the Global Financial Stability Report are key multilateral instruments for assessing global issues, economic and financial developments in the Fund's largest member countries, and the impact of these developments on the rest of the Fund's membership. Our Article IV consultations with countries of systemic or regional importance provide a forum for closer attention to potential spillover effects resulting from their policies. Key current issues in our global surveillance are the need to promote the conditions to support an orderly unwinding of current account imbalances and to sustain reforms to strengthen market foundations in major financial centers. In this context, we are working to strengthen the IMF's contribution to international financial stability in a number of areas, including through our work on corporate governance and transparency and supervision of large institutional investors including pension funds, insurance companies, and the U.S. mortgage agencies.

B. Trade

8. **The primary responsibility for the success of the Doha Round lies with member countries**: the advanced economies must significantly reduce trade-distorting subsidies and improve market access for developing country exports, while developing countries should do more to reduce their own trade barriers. The Fund, together with the World Bank, is helping to support further international cooperation on trade, including through:

- Stepped-up surveillance of trade policies, especially in countries whose trade policies are of fundamental importance for the world trading system, with a focus on increasing market access;

[1] The IEO's first three reports, on Prolonged Use of Fund Resources, the IMF's Role in Capital Account Crises and Fiscal Adjustment in IMF-supported Programs, all included recommendations to strengthen surveillance, particularly for countries with Fund-supported programs. See Section VI.

[2] See *Strengthening Surveillance: Further Considerations* (SM/03/249, 7/14/2003) and *The Chairman's Summing Up* (BUFF/03/157, 8/27/2003).

- Contributing to technical assistance and capacity building efforts to help members navigate the increasingly complex trade talks and address policy, administrative, logistical, and other constraints on trade; and

- Standing ready to provide financial support for members facing payments imbalances arising from trade liberalization, and exploring ways to better tailor existing facilities to the particular demands of trade adjustment under the Doha round.

9. These priorities reflect both the importance of trade issues for effective surveillance and the need for greater coherence between trade policies and financial assistance in pursuit of the MDGs.

C. Reducing Vulnerability

10. **Reducing economic and financial vulnerabilities is essential to crisis prevention**. The Fund is putting in place a number of initiatives focusing on strengthened assessments of debt sustainability, analysis of balance sheet and currency mismatches, surveillance of financial sectors, close monitoring of countries assessed as potentially vulnerable, and efforts to enhance the impact of Fund advice on policy decisions.

- More disciplined and transparent **assessments of public and external debt sustainability** in a common framework have been progressively introduced into surveillance of industrial and emerging market countries over the past year. When reviewing initial experience in July 2003, Executive Directors endorsed the main elements of the framework and agreed that the existing menu of standard stress tests should be supplemented with: (i) a more fully articulated and realistic alternative scenario, highlighting the main vulnerabilities to the baseline projections; (ii) a "no policy-change" scenario to help assess the realism of the baseline projections; and (iii) where appropriate and feasible, more detailed modeling of contingent liabilities.[3]

- **The role of balance sheet weaknesses** in financial crises was considered by the Executive Board in July 2003.[4] This work aims at deepening understanding of balance sheet fragilities (such as large-scale currency or maturity mismatches between assets and liabilities), the transmission of these weaknesses across different sectors, and appropriate policy responses.[5] Future efforts will focus on developing a

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[3] See *Sustainability Assessments—Review of Application and Methodological Refinements* (SM/03/206, 6/11/2003) and *The Acting Chairman's Summing Up* (BUFF/03/127, 7/23/2003).

[4] See *The Balance Sheet Approach and its Applications at the Fund* (SM/03/227, 7/1/03); *A Balance Sheet Approach to Financial Crisis*, WP/02/210; *Debt- and Reserve-Related Indicators of External Vulnerability* (SM/00/65, 3/23/2000) and *The Acting Chairman's Concluding Remarks on Debt- and Reserve-Related Indicators of External Vulnerability* (BUFF/00/69, 5/9/2000); and *Global Financial Stability Report* (SM/03/80, 2/28/2003).

[5] The approach has also offered useful insights concerning the financial risks facing countries with high liability dollarization, discussed by the Executive Board in May 2003. See *Financial Stability in Dollarized Economies* (SM/03/112, 4/1/2003), *Macroeconomic Policies in Dollarized Economies* (SM/03/126, 4/8/2003), and *The Acting Chairman's Concluding Remarks—Macroeconomic Policies and Financial Stability in Dollarized Economies* (BUFF/03/77, 5/29/2003).

framework for a fuller use of sectoral balance sheet analysis in the Fund's operational work in member countries.

- Greater emphasis is being placed in surveillance on **financial sector stability**. The Financial Sector Assessment Program (FSAP) undertaken in collaboration with the World Bank has become the primary vehicle for identification of vulnerabilities in financial sector supervision and oversight and the development of related policies, and the FSAP is being strengthened (see paragraph 12). In addition, financial sector issues are receiving increased attention in Article IV consultations with countries that have not yet undertaken an FSAP.
- Efforts are also underway to strengthen the analytical underpinnings of financial sector stability assessments, supported by the development of **financial soundness indicators** (FSIs). In June 2003, the Executive Board endorsed further work to encourage the compilation and dissemination of FSIs, and develop their role in financial stability analysis.
- Regular assessments of crisis risks and vulnerabilities in emerging market countries are undertaken through the high-frequency **vulnerability exercise** introduced in 2001. This exercise brings together information from the Fund's multilateral surveillance of global economic and financial market developments; assessments of vulnerabilities in individual countries; cross-country analyses of vulnerabilities in specific areas; results from formal early warning models; and market intelligence on individual countries. The exercise will continue to be refined to further improve its effectiveness as a tool for crisis prevention.
- Steps are being taken to strengthen **surveillance of program countries** with emphasis on reassessments of economic conditions and policies from a fresh perspective (Box 1).

D. Building Stronger Institutions

11. **Building stronger institutions and improving governance are key elements in improving economic performance.**[6] The Fund continues to provide technical assistance in its areas of competence and, together with the World Bank, has taken a central role in financial sector assessments and in the development, implementation, and assessment of internationally recognized standards and codes established in recent years.

12. **Looking forward, the Fund is working to improve the clarity and enhance the impact of these assessments.** Assessments will be expected to focus more keenly on key conclusions and recommendations, with greater attention paid to ongoing follow-up, through a variety of mechanisms. Better integration into the Article IV process would allow such assessments to inform Article IV surveillance, while at the same time helping to identify the standards that could most usefully be assessed for a member and to take greater account of country-specific conditions. Greater selectivity will enable the Fund to maintain a reasonable

[6] See Chapter III, "Growth and Institutions," *World Economic Outlook*, April 2003.

Box 1. Article IV Consultation in Program Countries

Effective surveillance periodically requires a fundamental assessment of economic conditions and policy priorities from a **fresh perspective**. Such reassessments are necessary for all members but can be particularly difficult in a program environment. In response to calls made by the IMFC at its meeting in April 2003, a range of measures have been taken to facilitate a reassessment of economic conditions and policies that is independent of the program framework.

- Article IV consultation cycles for program countries are being set to ensure that consultations take place when an economic policy reassessment is likely to be most useful, that is to say, before a program is negotiated, when a program has moved seriously off-track, or between programs.

- The substantive content of surveillance has been clarified, with emphasis put on the need for comprehensive assessments of recent economic developments, analysis of the short- and medium-term outlook, thorough discussion of risks and vulnerabilities, stock-taking of the policy strategy to date, and a candid account of the dialogue between staff and the authorities on key policy issues and the program strategy looking ahead.

- Internal review procedures for Article IV consultations in program countries are being strengthened.

- Area departments have experimented with alternative modalities for the conduct of, these consultations, including addition of a senior staff member, separate reports, or separate Board discussions.

number of new assessments and accelerate the pace of reassessments, updates, and follow-up. Priority will be given to cases that would have the highest return in terms of stability for the member and the international financial system, and those for which the developmental impact is likely to be important, including in a regional context.

13. Helping countries to **strengthen financial sector institutions** has taken on increased importance in the Fund's work, both as a means of reducing vulnerability, and as a contribution to supporting stronger economic growth through the development of domestic financial systems.

- The **FSAPs** are an important vehicle for the identification of the main institutional weaknesses in the financial sector, highlighted primarily in the assessments of various financial sector standards and codes. 100 countries have already participated or agreed to participate in an FSAP assessment, including a significant number of systemically or regionally important economies (Tables 1 and 2). Assisting members with the follow-up work on addressing weaknesses continues to be an important element of the Fund's efforts in institution building.

- Assessments of **offshore financial centers** (OFCs)—either stand-alone or in the context of FSAP participation—have been conducted, or are under way, with

40 jurisdictions. A review of the program is underway and is expected to be completed by end-2003.

- The Fund and the World Bank are making progress in implementing the Action Plan on **Anti-Money Laundering and Combating the Financing of Terrorism** (AML/CFT) through the incorporation of AML/CFT assessments in all FSAPs, the implementation of a 12 month pilot program of AML/CFT assessments, and the provision of technical assistance (Box 2).

14. **Reports on the Observance of Standards and Codes (ROSCs)** help members identify and address institutional weaknesses. As of June 30, 2003, 432 ROSCs have been completed for 94 economies, or about 50 percent of Fund membership (Table 1). These reports serve as an input to surveillance and increasingly help to inform market risk assessments and investment decisions.

Box 2. Anti-Money Laundering and Combating the Financing of Terrorism

The Fund and the World Bank are assisting members with their efforts to identify and address weaknesses in their regimes for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT). Some 50 AML/CFT assessments are expected to be undertaken as part of a 12-month pilot program, of which about two thirds will be led by Fund/Bank staff, and the rest by the Financial Action Task Force (FATF) and FATF-style Regional Bodies (FSRBs). Since the beginning of the program in October 2002, eight Fund/Bank-led assessments have been completed, with 20 currently underway, and five more scheduled before the end of the pilot. While the assessed jurisdictions appear to be placing priority on meeting international standards, a number of instances where laws needed to be updated and implementation needed to be improved have been identified. A review of the pilot project is scheduled in advance of the Spring 2004 meetings.

The Fund and the Bank have significantly increased the delivery of technical assistance on AML/CFT. Since March 2003, the Fund and the Bank have undertaken or planned to deliver technical assistance to 24 individual jurisdictions and 16 regional TA projects, with a total of 115 jurisdictions participating in the technical assistance. A key focus of the regional assistance is to train evaluators from the FSRBs on the use of the AML/CFT methodology. Individual technical assistance projects have focused on legal drafting and strengthening the capacity of regulators on AML/CFT.

15. The standards and codes initiative has been an important means of focusing **technical assistance**. One quarter of transition and developing countries that have completed ROSCs or FSAPS have received follow-up technical assistance. The Fund has also provided technical assistance to 19 jurisdictions to address key recommendations arising from their OFC assessments.

E. Transparency and Disclosure

16. The financial crises of the mid- and late 1990s underscored the importance of greater **transparency** as a key tool of crisis prevention in an environment of increased capital market

integration. Since then, there has been a substantial increase in transparency, both of members' policies and the Fund's assessments, within the current voluntary framework. In my view, embracing transparency is to the benefit of all members: enhanced public scrutiny of members' policies, informed by the Fund's assessments, can promote broader dialogue on economic policies, contribute to better surveillance and program design, and facilitate better assessments of risks by borrowers and creditors. Some members have concerns about the impact of transparency on the candor of their discussions with the Fund and on the domestic political debate, and I believe it is important that our efforts toward increasing transparency continue to be within the cooperative framework of the Fund.

- Member countries have made significant progress in increasing the **availability of timely, high-quality economic and financial data,** which is the foundation of all effective surveillance. The Fund, in consultation with other organizations, continues to encourage and assist members with their efforts in this area.

- While continuing to rely principally on the voluntary cooperation of members, the Fund has also recently taken steps toward strengthening the legal framework governing **data provision to the Fund**.[7]

- The Fund continues to work to improve the transparency of its own operations and finances. **Publication rates** for most country and policy documents have continued to rise: more than two thirds of member countries have published Article IV reports and stand-alone reports on Fund-supported programs, and most country policy intention documents and Fund policy papers are also made public (Table 1). Following a review of the Fund's **transparency policy** in June 2003, the Executive Board agreed: (i) to move from voluntary to presumed publication of reports on the use of Fund resources; (ii) to move from voluntary to presumed publication for Article IV staff reports from July 1, 2004; (iii) that publication of staff reports on the use of Fund resources in exceptional access cases arising after July 1, 2004 would generally become a condition for Management to recommend approval of an arrangement or completion of a review to the Executive Board;[8] and (iv) to publish the Executive Board's agenda.

- The Fund is refining the ways in which it conveys staff's current assessment of a member's economic policies to other international financial institutions, creditors, and donors**.**[9] The preparation of **assessment letters** in response to requests for such information is now subject to more uniform procedures. The Board has also agreed that **Staff-Monitored Programs (SMPs)** are ill-suited for signaling the strength of policies and should henceforth be used only to establish a track record toward use of Fund resources.

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[7] See *The Acting Chairman's Concluding Remarks—Strengthening the Effectiveness of Article VIII, Section 5* (BUFF/03/89, 6/16/2003).

[8] This policy will not apply to exceptional access programs (i.e., those on the same terms and conditions and timing) in place as of July 1, 2004.

[9] See *The Acting Chairman's Summing Up—Signaling Assessments of Members' Policies* (BUFF/03/10, 1/31/2003).

F. The Role of the CCL and Precautionary Arrangements in Crisis Prevention

17. It is crucial for crisis prevention to build trust that countries with sound policy frameworks will be proactively supported by the Fund in their efforts to resist contagion. The Fund is in the process of exploring how best to achieve this objective. To this end, the Board is reviewing the **Contingent Credit Lines** (CCL) facility, which is currently scheduled to expire in November 2003, and has recently considered possible modifications to **precautionary arrangements**.[10] A basis for agreement on specific reforms of these arrangements has not yet been established; the Board will return to these issues in the context of the CCL review, to be completed following the Annual Meetings. It is important that we maintain our commitment to help countries with good policies to become more resilient to crisis.

G. Crisis Resolution

18. **Even in the face of the best policy advice, crises can occur and the Fund will continue to play a key role in their resolution**. To this end, it has developed a clearer policy on the conditions under which it is willing to provide exceptional access to support a member's adjustment program in the context of a crisis and a more comprehensive framework for making judgments on debt sustainability.[11] It has established new procedures to be followed in such cases that include Executive Board consultation at the early stages of program discussions and a separate report to the Board evaluating the case for exceptional access.

19. In response to the request of the IMFC, the Fund's current efforts on crisis resolution focus on promoting the inclusion of collective action clauses (CACs) in international sovereign bonds in jurisdictions where they are not yet the market standard, on contributing to initiatives aimed at formulating a voluntary code of conduct for sovereign debtors and their creditors, and on issues raised during the work on a Sovereign Debt Restructuring Mechanism (SDRM) that are of general relevance to the orderly resolution of financial crises. Against this background:

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[10] See *Adapting Precautionary Arrangements to Crisis Prevention* (SM/03/207, 6/11/2003) and *The Acting Chairman's Summing Up* (BUFF/03/112, 7/9/2003).

[11] See *The Acting Chairman's Summing Up—Review of Access Policies in the Credit Tranches and the Extended Fund Facility, and Access Policy in the Context of Capital Account Crises—Modifications to the Supplemental Reserve Facility (SRF) and Follow-Up Issues Related to Exceptional Access Policy* (BUFF/03/28, 02/26/03). A review of this framework will take place when adequate experience with its application has been gained.

- The Fund is promoting the use of CACs through its surveillance activities and active dialogue with issuers and private market participants. The first half of 2003 witnessed a turnaround in the use of **CACs** in international sovereign bonds governed by New York law, which typically did not contain these clauses. Mexico, Brazil, South Africa, Korea, and Belize are among emerging market countries that have recently issued sovereign bonds under New York law with CACs, and CACs have also been included in the new bonds resulting from Uruguay's recent debt exchange. A number of advanced economies have also taken steps to introduce CACs in their international sovereign bonds, including Austria, Greece, and Iceland.[12]

- Efforts are underway to improve the process of restructuring sovereign debt within the existing legal framework.[13] Two issues figure prominently in the calls to improve the existing process of restructuring sovereign debt—information exchange between debtors and creditors, and greater coordination when the restructuring involves a large and diverse group of creditors.

- In this context, there has been considerable recent discussion within both the private and official sectors regarding the potential benefits of a voluntary Code of Conduct (a "Code"). These discussions have taken place in different fora. One of these is an informal working group consisting of participants from several emerging market countries, a number of the major economies, and private sector representatives. A Code could facilitate continuous dialogue between creditors and debtors, promote corrective policy action to reduce the frequency and severity of crises, and facilitate the orderly and expeditious resolution of crises.

- The Fund's involvement in assessing progress in creditor-debtor dialogue and negotiations in individual cases would be guided by the Fund's lending into arrears policy and the recent review by the Executive Board of the application of the good-faith criterion to reach a collaborative agreement.[14] The content and application of that policy, however, may need to be revisited when greater clarity emerges concerning the precise content of the Code.

- The Fund is also continuing to explore the potential contribution that aggregation provisions can make to the resolution of collective action problems and difficulties associated with creditor coordination.[15] There has been some progress in achieving a degree of aggregation under a contractual framework, but including contractual provisions that allow for aggregation is not entirely straightforward and their design is

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[12] See *Progress Report on Crisis Resolution* (SM/03/301, 8/26/03). In 2000 and 2001 Egypt, Lebanon, and Qatar had issued bonds with CACs under New York law, though at that time there was no general discussion among market participants of the inclusion of these clauses. See *Collective Action Clauses—Recent Developments and Issues* (SM/03/102, 3/25/2003).

[13] See *Reviewing the Process for Sovereign Debt Restructuring Within the Existing Legal Framework* (SM/03/272, 08/04/03).

[14] See *Fund Policy on Lending into Arrears to Private Creditors—Further Considerations of the Good Faith Criterion* (SM/02/248, 7/31/02).

[15] See *The Restructuring of Sovereign Debt—Assessing the Benefits, Risks, and Feasibility of Aggregating Claims* (SM/03/272, 8/4/03).

at a rather experimental stage. The Fund will therefore continue to monitor the use and evolution of aggregation provisions.

III. Fund Support for Low-Income Countries

A. Overview

20. **The broad principles of the comprehensive development strategy expressed in the Monterrey Consensus on fighting poverty and achieving the MDGs, together with the Poverty Reduction Strategy Papers (PRSP) approach and the enhanced HIPC Initiative, provide the appropriate framework for the Fund's engagement with its low-income members.** Its efforts to make globalization work for all are complementary to the two-pillar approach contained in the Monterrey Consensus. Under this two-pillar approach, low-income countries will pursue the fight against poverty through sound economic policies and good governance, while the international community will match these efforts through the provision of better and stronger support.

21. **There are encouraging signs that sustained implementation of good policies in low-income countries within this framework is beginning to bear fruit, but more needs to be done.** In many low-income countries, output and per capita income growth have increased markedly since the mid-1990s.[16] Internal and external imbalances have been reduced, inflation has fallen to single digits—the lowest levels in two decades—and external reserves are at their highest levels since the 1980s. Moreover, improvements in macroeconomic performance have been especially marked in countries that have, or have had, Poverty Reduction and Growth Facility (PRGF) arrangements. While the progress in promoting good policies and the associated improvements in outcomes are heartening, they do not yet provide a sufficient basis for achieving the sustained high growth necessary for rapid progress toward the MDGs, and many countries remain highly vulnerable to exogenous shocks. Both low-income countries and the international community need to increase their efforts.

22. The **guiding principles** for our work with low-income countries are to:

- Remain constructively engaged over the long term in helping low-income countries to achieve macroeconomic stability, high levels of growth, and sustained poverty reduction;
- Continue to embrace the principles of the PRSP approach, and ensure that our support contributes to efforts to achieve the MDGs;
- Focus on our core areas of competence, while ensuring that efforts to promote macroeconomic stability and good governance complement the work of the World Bank and other development partners;

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[16] For instance, Bangladesh, Benin, Bhutan, Cambodia, Mali, Mozambique, Tanzania, Senegal, Uganda, and Vietnam, have seen real growth averaging at or above 5 percent over the past five years.

- Help low-income members facilitate the transition to a market-based economy and, over the longer term, reduce dependence on aid and move to a point where they can rely predominantly on private sources of financing; and
- Promote policies in the rest of the membership that are helpful to low-income countries.

23. **Within the Monterrey framework, the Fund is implementing a range of existing initiatives.** As detailed further below, these focus on:

- Aligning PRGF-supported programs and the PRSP process, which serves as a framework for cooperation among the Fund and other development partners;[17]
- Carrying the enhanced HIPC Initiative forward and using the current framework of the Initiative to provide debt relief as a critical component to achieving long-term debt sustainability;
- Helping build technical capacity and strengthen institutions;
- Assisting countries in dealing with exogenous shocks; and
- Pressing for trade and development assistance policies in industrial countries that will strengthen the economic prospects of low-income countries.

24. **We must continue to improve our efforts, and are in the process of examining how the Fund can best contribute to supporting better growth outcomes in low-income countries.** The Executive Board recently considered an initial paper on this issue and reached the following conclusions:[18]

- The Fund will need to intensify its support of low-income members through policy advice, technical assistance, capacity building, and financial assistance. While Fund involvement in these countries will continue over the long term, greater selectivity about the circumstances in which it engages in a lending relationship may be required;

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[17] Some of the current issues in ensuring that the Fund's support of low-income countries' programs is consistent with the PRSP approach are considered in *Aligning the Poverty Reduction and Growth Facility (PRGF) and the Poverty Reduction Strategy Paper (PRSP) Approach—Issues and Options* (SM/03/94, 3/13/2003).

[18] See *Role of the Fund in Low-Income Member Countries Over the Medium-Term—Issues for Discussion* (SM/03/257, 7/22/2003) and *Concluding Remarks by the Chair, Role of the Fund in Low-Income Member Countries Over the Medium Term, and Fund Assistance for Countries Facing Exogenous Shocks* (BUFF/03/164, 9/5/2003).

- The Fund's financial role is to focus on the provision of temporary financial assistance in support of macroeconomic reform efforts and the policy response necessary to help countries adjust to the effects of exogenous shocks; and

- The Fund's existing instruments need to evolve in three areas: (i) supporting post-conflict and other countries with severe institutional weaknesses move to where they can implement PRGF-supported programs; (ii) assisting those countries with a more durable record of macroeconomic performance to move to a surveillance-based relationship; and (iii) providing policy advice and financial assistance to help member countries deal with exogenous shocks.

25. As a follow up to these discussions, before the Spring Meetings, the Board will consider papers on the appropriate instruments for providing financial support to low-income countries and on the implications for the Fund's financial resources available to support these members. Also, a broad review of program design and policy advice, planned for mid-2004, will examine how well the focus and mix of policies in PRGF-supported programs fit country circumstances and respond to the macroeconomic problems that country authorities face.

B. Strengthening the PRSP Approach

26. The PRSP approach provides a framework for implementing and coordinating the efforts of low-income countries and their development partners to implement the approach agreed at Monterrey and facilitate progress toward the MDGs. **The Fund is taking steps to better align PRGF-supported programs and country-led PRSP processes.** These include:

- Helping countries to establish a sound macroeconomic framework to underlie PRSPs and PRGF-supported programs;

- Enhancing the realism of the macroeconomic frameworks that underpin the PRSPs and the PRGF arrangements, identifying the sources of and constraints on sustained high growth, and encouraging development of ways to illustrate the potential impact of improved policies, resource availability, and aid modalities; and

- Improving coordination between the timing of PRGF-supported programs and national budget cycles in order to reinforce the link between a country's PRSP and its national budget process.

27. As described in the recent Fund/Bank PRSP Progress Report, strengthened participatory and budgetary processes and greater prioritization, as well as improved public expenditure management, are key to making poverty reduction strategies more effective.[19]

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[19] See *Poverty Reduction Strategy Papers—Progress in Implementation* (SM/03/279, 8/8/2003) and *Poverty Reduction Strategy Papers—Detailed Analysis of Progress in Implementation* (SM/03/279, Supplement 1, 8/8/2003).

C. Carrying the Enhanced HIPC Initiative Forward

28. The **enhanced HIPC Initiative** has made substantial progress in meeting its objective of reducing the debt burden and providing deeper and earlier debt relief to heavily indebted poor countries, although the process has been slow in some cases and important challenges remain:[20]

- The Initiative has committed substantial debt relief (over US$33 billion in net present value terms) to the 27 decision point countries, eight of which have reached the completion point where their eligible stock of debt has been irrevocably reduced (Table 3).

- The process of reaching the completion point has taken longer than earlier envisaged, especially in countries that have experienced delays and interruptions in their PRGF-supported programs, and in the preparation of fully participatory PRSPs.

- The Fund and the World Bank are assisting, where possible, the 11 countries potentially eligible for HIPC Initiative assistance that have yet to reach decision point with the objective of establishing a track record before the Initiative expires at end-2004.

- The enhanced HIPC Initiative provides for additional debt relief at completion point with topping up assistance in exceptional cases where a country's economic fundamentals have deteriorated due to exogenous factors. It is important that the Fund be prepared to use the flexibility of the framework to provide this additional assistance as warranted in particular cases.

- Looking beyond the HIPC Initiative, a key priority is strengthening the design and implementation of countries' financing strategies to improve debt sustainability while reducing poverty and making progress toward the MDGs. In collaboration with the World Bank, the Fund is developing an analytical framework for assessing debt sustainability in low-income countries and providing guidance on new borrowing and the appropriate mix of loan versus grant financing.

D. Technical Assistance and Capacity Building

29. The Fund's **technical and capacity building assistance** to low-income countries is being provided to support sound macroeconomic policies and the reforms necessary to raise growth and reach the MDGs, in close collaboration with the World Bank and other development partners. To enhance its impact, the Fund is, in cooperation with member countries:

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[20] See *Initiative for Heavily Indebted Poor Countries—Status of Implementation* (SM/203/294, 8/18/2003) and *Update on the Financing of PRGF and HIPC Operations and the Subsidization of Post-Conflict Emergency Assistance* (SM/03/296, 8/19/2003).

- Ensuring that the needs of recipients and the capacity constraints faced by many members are reflected in the allocation and design of technical assistance, as well as the means by which it is delivered, and that the Fund's assistance is coordinated with other agencies providing technical assistance;
- Placing emphasis on the development of institutional capacities, as well as the provision of policy advice, in our core areas of expertise; and
- Making continuous efforts to improve the prioritization and effectiveness of its technical assistance, including the development of a program of evaluation of selected technical assistance projects that takes account of the use by countries of the technical assistance they have received.

30. The Fund continues to expand its range of delivery mechanisms for technical assistance to adapt to local contexts and needs. The main vehicles of delivery are: staff-led missions; assignments of long-term resident advisors; assignment of short-term experts; and seminars and workshops. The Fund is increasingly using regional delivery mechanisms to provide technical assistance, including through regional technical assistance centers. The recently established African Regional Technical Assistance Centers (AFRITACS) have made an encouraging start that shows the benefits of greater local participation.

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

E. Dealing with Exogenous Shocks

32. **Low-income countries are particularly vulnerable to exogenous shocks**─such as natural disasters, commodity price changes, conflicts, or crises in neighboring countries─that can have a significant negative impact on growth, macroeconomic stability, debt sustainability, and poverty. However, the impact of shocks can be partly mitigated through better preparation and better policy responses, supported importantly by timely receipt of external financial assistance. For the poorest countries, external financial assistance in these cases is most appropriately provided as grants to avoid a further build up of debt.

33. The Executive Board has had an initial discussion of options for how the Fund's policy advice and existing facilities can better help member countries to adopt policies that prepare for, and adjust to, the impact of exogenous shocks, and will return to this issue in the coming months. [21]

[21] See *Fund Assistance for Countries Facing Exogenous Shocks* (SM/03/288, 8/11/2003) and *Concluding Remarks by the Chair, Role of the Fund in Low-Income Member Countries Over the Medium Term, and Fund Assistance for Countries Facing Exogenous Shocks* (BUFF/03/164, 9/5/2003)

F. Encouraging International Support

34. The Fund's efforts at encouraging **enhanced support from the international community** are directed towards urging advanced economies to:

- Allow better access to their markets for low-income country exports;
- Reduce trade-distorting subsidies;
- Fulfill their pledges for development assistance and enhance the predictability and effectiveness of aid flows; and
- Pursue sound policies conducive to sustained global growth that benefits all members.

35. **The Fund will continue to promote progress toward the successful conclusion of the Doha Development Agenda and is committed to helping countries implement trade reforms that they agree in this context**. It will also continue to help in assessing the macroeconomic impact of trade liberalization and trade promotion in developing countries, provide technical assistance in its areas of expertise, and strengthen its efforts at mainstreaming trade into poverty reduction strategies, including the coverage of countries. It will also ensure that it is in a position to meet members' needs for balance of payments assistance that may arise from the implementation of multilateral trade agreements.

IV. Use of Fund Resources

36. Over the past several years, the Fund has completed intensive reviews of its lending facilities and the associated conditionality, which resulted in significant policy innovations. Efforts are now being directed towards implementation of the new policies as well as to reviewing and refining specific features of policy in these areas.

37. The Fund is implementing the new guidelines on **conditionality** in Fund-supported programs that were agreed in September 2002 after an extensive review involving public consultation.[22] They are designed to enhance the effectiveness of Fund programs, particularly by promoting national ownership of policy programs by ensuring that conditionality is:

- Focused on those elements that are critical to achieving the program's macroeconomic objectives; and
- Based on a clear division of labor and enhanced collaboration with other international institutions, especially the World Bank.

38. Implementation of these guidelines is leading to substantial changes in the scope and design of conditions in Fund programs:

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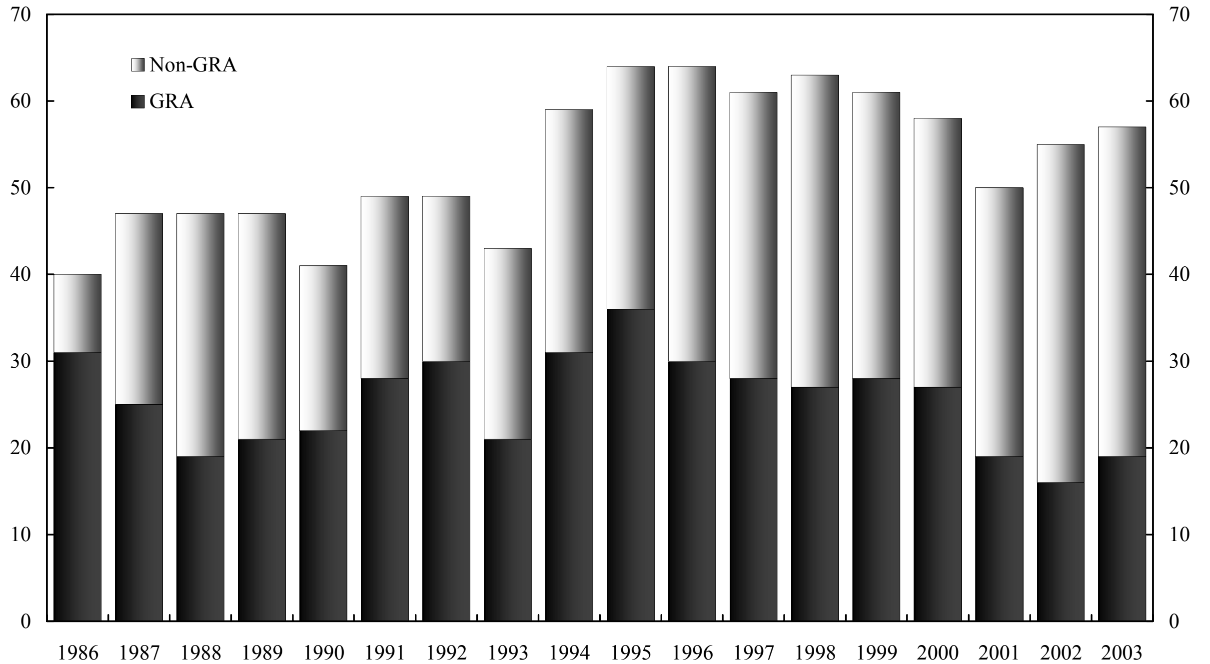
[22] See *Guidelines on Conditionality* (IMFC/Doc/6/02/9, 9/26/2002)

- Structural conditionality under PRGF-supported programs, and stand-by (SBA) and extended (EFF) arrangements, has become much more focused on the Fund's core areas of competence;
- The average number of structural conditions has declined, especially in PRGF-supported programs; and
- There has been a shift in emphasis away from prior actions in SBA and EFF arrangements, in favor of greater use of performance criteria and structural benchmarks.

39. A review of experience with the new guidelines will be conducted in 2004. Also, a review of experience with the enhanced framework for Bank-Fund collaboration, to be undertaken in late 2003, will consider the coherence and consistency of policy advice and conditionality across the two institutions.

40. The pattern of **use of the Fund's financial facilities** continues to evolve in response to the changing needs of the membership. While the overall number of arrangements approved has remained fairly stable over the past 5-6 years, the balance has shifted towards low-income members (Figure 1 and Tables 4-5). About half of PRGF-eligible countries currently have a PRGF arrangement. The number of arrangements in the General Resources Account (GRA) has declined, as countries that sought financial assistance in response to the financial crises of the mid- to late 1990s have successfully implemented their programs, although the amount of Fund lending and its concentration have risen as a result of support to several members with large balance of payments needs. Early repayment of Fund lending in a number of cases shows the success of Fund arrangements in restoring financial stability. A number of transition countries have also graduated from sustained program engagement and now stand on the threshold of membership of the European Union. Going forward, systematic ex-post assessments of program performance and strategic forward planning will be conducted to assist members in graduating, where possible, from prolonged use of Fund resources, in line with conclusions based on the recommendations of the IEO report on Prolonged Use of Fund Resources.

Figure 1. The Number of Active IMF Lending Arrangements, 1986 - June 2003 1/



1/ Number of arrangements at end-year (1986-2002) and end-June (2003).

41. In the period ahead, work will also be underway on reviewing various aspects of **the design of Fund-supported programs**, considering in particular:

- The **overall setting for program design**, including the objectives and measures of success, the mix of financing and adjustment and alternative uses of Fund resources, the appropriateness of the analytical financial programming framework for formulating Fund-supported programs, and the macroeconomic and structural policy content of programs;

- Issues in program design specific to **low-income countries**, such as how Fund-supported programs can best facilitate private sector-led growth, take sufficient account of the differing needs of low-income members, or ensure that macroeconomic frameworks can best accommodate higher aid flows;

- Incorporating the lessons from recent **capital account crises,** building on the conclusions of the report by the IEO in this area, such as the need to ensure that programs address the root causes of the crisis, are sufficiently flexible to adapt to rapidly changing country circumstances, take appropriate account of balance sheet interactions, and are adequately financed; and

- Work is proceeding on a review of the Fund's **trade policy** advice and conditionality in the context of Fund-supported programs, and on ensuring that adequate support is available to members dealing with pressures arising from trade liberalization.

42. Before the next IMFC meeting, the Executive Board will also review the **Compensatory Financing Facility** (CFF).[23]

V. Strengthening the Cooperative Nature of the Fund

43. The IMF's cooperative nature is reflected in its resource base—derived from the quota subscriptions of its 184 member countries—in the principles of mutual respect, trust, and consensus-building that guide its operations and governance, and in the participation by our membership in the many voluntary initiatives undertaken at the Fund. It is important that we maintain and strengthen this cooperative approach in our work.

- The resolution concluding the Twelfth General Review of **Quotas** in January 2003 indicated that the Executive Board intended, during the period of the Thirteenth General Review, "to monitor closely and assess the adequacy of Fund resources, to consider measures to achieve a distribution of quotas that reflects developments in the world economy, and to consider measures to strengthen the governance of the Fund." The Executive Board's July 2003 discussion of the distribution of quotas forms the basis for a separate report to the IMFC on quota issues.

- The Fund's current **liquidity position** appears adequate, and the Fund will likely be able to meet the near-term projected needs of its members, even under somewhat unfavorable circumstances. The forward commitment capacity has increased in recent months to some SDR 63 billion as of end-July 2003 (Table 6). The Fund's liquidity position will continue to be monitored closely.

- **Voice and representation** issues are being pursued in the context of discussions on quotas (and votes) that are fundamentally a matter for shareholders to decide, and also by addressing staffing and other constraints faced by Executive Directors representing developing and transition member countries. The Fund has already taken concrete measures to address staffing constraints in the offices of Executive Directors with large multi-country constituencies, and is considering additional steps.

VI. Independent Evaluation Office[24]

44. The IEO, established in July 2001, operates independently of the Fund's management and staff and at arms' length from the Executive Board. It provides objective and independent evaluations of issues related to the IMF's mandate and thereby supports the Executive Board in its governance and oversight responsibilities, contributes to enhancing the learning culture

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[23] The CFF was established to help countries finance temporary exogenous shocks affecting export earnings. It has been modified several times since its introduction in 1963 and was last reviewed in December 1999.

[24] See also Independent Evaluation Office—Report to the International Monetary and Financial Committee (EBAP/03/112, 9/9/2003).

of the IMF, and promotes better public understanding of the IMF's work. Since its inception, the IEO has completed three evaluation reports, each with specific recommendations for improving the effectiveness of the Fund's activities:

- *Evaluation of Prolonged Use of IMF Resources* (September 2002) assessed the causes and consequences of prolonged use and proposed steps to reduce the incidence of inappropriate sustained program engagement, including improvements in program design and implementation and increased use of ex post assessments.[25]

- *Evaluation of the Role of the IMF in recent Capital Account Crises* (May 2003) drew lessons from the Fund's involvement in recent important country cases, with recommendations to strengthen surveillance, review program design, and improve the Fund's role as crisis coordinator.[26]

- *Evaluation of Fiscal Adjustment in Fund-supported Programs* (August 2003) examined the quantitative and qualitative dimensions of fiscal adjustment and recommended more in-depth justification for the proposed adjustment path, greater use of contingency plans, including to safeguard social spending, and increased emphasis on key fiscal reforms both in program design and surveillance.[27]

45. The high quality of the IEO's reports has made them valuable contributions to the Fund's efforts to enhance its effectiveness. The Fund has supported the broad thrust of the reports and has already drawn considerably on their specific recommendations in formulating its policies. Management and the Executive Board will continue to give careful consideration to the recommendations of these reports in our ongoing work, including in the context of the upcoming reviews of surveillance and program design.

46. It is important that the Fund's activities continue to be carefully reviewed so that new lessons can be learned and the Fund made more effective going forward. We look forward in this context to the IEO's work in the coming year on the following issues: (i) experience with PRSPs and the PRGF; (ii) the IMF's role in Argentina; and (iii) IMF technical assistance.

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[25] See *Evaluation of Prolonged Use of IMF Resources* (SM/02/287, 09,06/02).

[26] See *Evaluation of the Role of the IMF in recent Capital Account Crises* (SM/03/171, 05/09/2003).

[27] See *Evaluation of Fiscal Adjustment in Fund-supported Programs* (SM/03/291, 08/12/2003).

VII. CONCLUSIONS

47. The immediate challenge facing the international community is to establish the conditions in which a global recovery can firmly take root and lead to robust, sustainable, and inclusive growth. This will require continued efforts to address macroeconomic imbalances and structural weaknesses, vigilance in monitoring the emergence of potential economic and financial vulnerabilities, and redoubled efforts by the entire international community to ensure that faster growth is achieved by all our members and results in a sustained and substantial reduction in global poverty. Successful implementation of the Doha Development Agenda is vital in this regard.

48. The Fund will continue working vigorously to support members' efforts and to foster global stability and growth. To this end, we will focus on careful and steadfast implementation of the many recent innovations to the Fund's instruments and policies that are being brought to fruition, and on further strengthening our collaboration with the World Bank and other development institutions.

49. We will in particular continue to work to enhance the impact of Fund surveillance, with a focus on systemic issues, the global implications of policies in the largest economies and financial centers, and improved capacity to identify emerging economic vulnerabilities early on. For surveillance to be fully effective, corrective measures need to be taken to address identified vulnerabilities before they disrupt macroeconomic stability and growth. An important and difficult challenge in our surveillance is therefore to find ways of enhancing the impact of policy recommendations on national economic policies. We will also seek to make further progress in promoting transparency of national policies and the Fund's assessments.

50. After major reviews of our lending facilities and conditionality in recent years, we now need to review the design of Fund-supported programs. In addition, we must strive to find ways in which our lending instruments can be used proactively to support members that are implementing good policies and thereby guard against contagion. We will also carry forward our efforts to improve the framework for crisis resolution.

51. We will continue to work with low-income countries within the framework of the Monterrey Consensus, the MDGs, and the PRSP approach, building on recent heartening progress by countries with PRGF-supported programs. A priority going forward is a review of our policies on financial assistance to low-income members, in particular to ensure that the Fund's long-term engagement is supportive of their efforts towards the MDGs and to move from dependence on aid to reliance on domestic resources and market financing. Richer countries should play their part through improved trade and development assistance policies. We must also continue in our efforts to carry the enhanced HIPC initiative forward.

52. Members must continue, including with the Fund's assistance, to build better institutions and strengthen governance. The financial sector assessment and standards and codes initiatives will continue, with appropriate prioritization, and we will help members

address identified institutional weaknesses. It is particularly important that we continue developing our work on financial sectors in support of our member countries' efforts to achieve stronger and more stable growth through the development of their domestic financial systems. The Fund will continue to find ways to enhance our capacity to provide technical assistance, and ensure that this assistance is implemented effectively.

53. We should continue to take steps to preserve and strengthen the Fund's cooperative nature. The effectiveness of the Fund depends critically on ensuring that all its members have an appropriate voice and representation in its decision making. These are important challenges for the Fund's shareholders and will be at the heart of the Thirteenth General Review of Quotas.

Table 1. Participation in Transparency, FSAP, and Standards and Codes Initiatives 1/ 2/
(As of June 30, 2003)

	(1) Africa	(2) Developing Asia	(3) Central and Eastern Europe	(4) CIS and Mongolia	(5) Western Hemisphere	(6) Middle East, Malta, and Turkey	(7) Advanced Economies	(8) Total IMF Members
Number of Members	51	29	15	13	32	16	28	184
Initiatives:								
SDDS Subscriber 3/								
Number of members	2	5	9	2	9	1	23	51
GDDS Participant 4/								
Number of members	25	6	3	5	13	6	0	58
PIN Published								
Number of members 5/	48	25	15	11	31	12	28	170
Percentage	94%	86%	100%	85%	97%	75%	100%	92%
Article IV Staff Report Published								
Number of members 5/	40	14	15	11	23	5	27	135
Percentage	78%	48%	100%	85%	72%	31%	96%	73%
FSAPs Completed								
Number of members	10	4	10	5	9	5	9	52
Percentage	20%	14%	67%	38%	28%	31%	32%	28%
ROSC Modules Completed								
Number of members 6/	23	7	13	8	18	8	15	94
Percentage	45%	24%	87%	62%	56%	50%	54%	51%
ROSC Modules Completed								
Number of modules 7/	82	32	98	44	64	27	72	432
Percentage of total modules	19%	7%	23%	10%	15%	6%	17%	
ROSC Modules Published								
Number of modules 7/	50	11	92	25	30	10	71	302
Percentage of completed modules	61%	34%	94%	57%	47%	37%	99%	70%

Source: Fund staff estimates.

1/ This table does not include territories, special administrative regions (SARs), and monetary unions except for ROSCs, which include thirteen completed and published modules for Hong Kong SAR of China and the Euro Area.
2/ The regional groupings are based on the composition of World Economic Outlook (WEO) groups.
3/ The SDDS was established in 1996 to guide countries that have, or might seek, access to international capital markets in the dissemination of economic and financial data to the public. Table includes subscribers in full observance only.
4/ The GDDS was established in 1997 to encourage members to improve data quality, provide a framework for evaluating needs for data improvement and setting priorities in this respect, and guide members in the dissemination to the public of comprehensive, timely, accessible, and reliable economic, financial, and socio-demographic statistics.
5/ The number of members that published at least one such document.
6/ 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.
7/ The number of modules reflects if a member has had more than one full assessment for the same standard. On an exceptional basis, one FSSA-derived preliminary assessment is included.

Table 2. FSAP Participation
(as of August 2003)

FSAP Completed		**FSAP Under Way**	**Future Participation Confirmed**
Armenia	Luxembourg	Algeria	Albania
Bangladesh	Malta	Argentina 3/	Austria
Barbados	Mexico	Bolivia 1/	Azerbaijan
Brazil	Morocco	Cote d'Ivoire	Belarus
Bulgaria	Nigeria	Germany	Belgium
Cameroon	Peru	Honduras 1/	Chile
Canada	Philippines	Japan 1/	Dominica 2/
Colombia	Poland	Jordan	Ecuador
Costa Rica	Russia	Kenya	Fiji
Croatia	Senegal	Macedonia, FYR	France
Czech Republic	Slovak Republic	Mauritius 1/	Grenada 2/
Dominican Republic	Slovenia	Mozambique	Kuwait
Egypt	South Africa	Oman	Moldova
El Salvador	Sri Lanka	Romania	Netherlands
Estonia	Sweden	Singapore	New Zealand
Finland	Switzerland	Uruguay 3/	Nicaragua
Gabon	Tanzania		Norway
Georgia	Tunisia		Pakistan
Ghana	Uganda		Paraguay
Guatemala	Ukraine		Rwanda
Hong Kong SAR of China	United Arab Emirates		Saudi Arabia
Hungary	United Kingdom		Serbia
Iceland	Yemen		St. Kitts and Nevis 2/
India	Zambia		St. Lucia 2/
Iran			St. Vincent and the Grenadines 2/
Ireland			Sudan
Israel			Venezuela
Kazakhstan			
Korea			
Kyrgyz Republic			
Latvia			
Lebanon			
Lithuania			

1/ Indicates that the FSSA report has been circulated to the IMF Executive Board. A final version of the FSAP documents is in preparation for transmission to the authorities.
2/ East Caribbean Currency Union member.
3/ Postponed.

Table 3. Enhanced HIPC Initiative: Committed Debt Relief and Outlook 1/
Status as of July, 2003

(In millions of U.S. 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	Date of Approval
Countries that have reached their Completion Points (8)							
TOTAL	**2,862**	**5,470**	**8,333**	**5,730**	**8,965**	**14,695**	
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
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
Tanzania	0	2,026	2,026	0	3,000	3,000	Nov-01
Uganda	347	656	1,003	650	1,300	1,950	May-00
Countries that have reached their Decision Points (19)							
TOTAL	**256**	**22,496**	**22,752**	**440**	**35,999**	**36,439**	
Cameroon	0	1,260	1,260	0	2,000	2,000	Oct-00
Chad	0	170	170	0	260	260	May-01
Congo, Dem. Rep. of	0	6,311	6,311	0	10,389	10,389	Jul-03
Ethiopia	0	1,275	1,275	0	1,930	1,930	Nov-01
The Gambia	0	67	67	0	90	90	Dec-00
Ghana	0	2,186	2,186	0	3,700	3,700	Feb-02
Guinea	0	545	545	0	800	800	Dec-00
Guinea-Bissau	0	416	416	0	790	790	Dec-00
Guyana	256	329	585	440	590	1,030	Nov-00
Honduras	0	556	556	0	900	900	Jul-00
Madagascar	0	814	814	0	1,500	1,500	Dec-00
Malawi	0	643	643	0	1,000	1,000	Dec-00
Nicaragua	0	3,267	3,267	0	4,500	4,500	Dec-00
Niger	0	521	521	0	900	900	Dec-00
Rwanda	0	452	452	0	800	800	Dec-00
São Tomé and Príncipe	0	97	97	0	200	200	Dec-00
Senegal	0	488	488	0	850	850	Jun-00
Sierra Leone	0	600	600	0	950	950	Mar-02
Zambia	0	2,499	2,499	0	3,850	3,850	Dec-00
Countries still to be considered (11)							
Côte d'Ivoire 3/	345	…	345	800	…	800	
Burundi	…	…	…	…	…	…	
Central African Republic	…	…	…	…	…	…	
Comoros	…	…	…	…	…	…	
Congo, Rep. of	…	…	…	…	…	…	
Lao PDR	…	…	…	…	…	…	
Liberia	…	…	…	…	…	…	
Myanmar	…	…	…	…	…	…	
Somalia	…	…	…	…	…	…	
Sudan	…	…	…	…	…	…	
Togo	…	…	…	…	…	…	
Memorandum item:							
Debt relief committed	**3,463**	**27,966**	**31,428**	**6,970**	**44,964**	**51,934**	

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

1/ Commited Debt Relief under the assumption of full participation of the creditors.
2/ The assistance under the enhanced HIPC Initiative includes the topping up with the NPV calculated in the year of the completion point.
3/ Preliminary document issued.

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

	1991	1992 2/	1993	1994 2/	1995	1996	1997	1998 2/	1999	2000	2001	2002	2003
Average annual access													
SBA													
Non-exceptional 3/	53	56	31	37	52	39	36	44	43	46	34	39	50
Exceptional, SRF and CCL	...	...	60	...	500	...	329	200	100	...	320	510	170
Precautionary	34	34	21	35	27	27	27	42	21	40	30	30	59
EFF													
Non-exceptional	82	41	...	30	38	37	28	50	46	12	...	46	12
Exceptional, SRF and CCL	...	...	28	...	...	53	...	144	...	58	...	...	...
Precautionary	...	...	20	...	...	...	...	45	21	...	...	...	...
SBA and EFF													
Non-exceptional 3/	56	53	31	35	50	38	33	46	42	43	34	40	45
Exceptional, SRF and CCL	...	...	44	...	500	53	329	172	100	58	320	510	170
Precautionary	34	34	20	35	27	27	27	43	21	40	30	30	59
SAF	23	23	...	35	50	...	...	...	...	...	...	...	...
ESAF/PRGF	43	32	31	37	36	35	35	35	23	22	25	21	12
Range of annual access													
SBA													
Non-exceptional 3/	22-100	26-90	18-48	11-68	24-100	18-80	24-69	20-81	20-85	18-85	16-57	19-97	25-100
Exceptional, SRF and CCL	...	...	60	...	500	...	163-646	200	100	...	320	456-564	170
EFF													
Non-exceptional	72-92	18-64	20	17-43	33-43	17-55	20-45	45-55	21-84	12	...	46	12
Exceptional, SRF and CCL	...	...	28	...	...	53	...	144	...	58	...	...	...
SAF 4/	23	23	...	35	50	...	...	...	...	...	...	...	...
ESAF/PRGF	33-57	20-40	18-40	27-50	20-64	20-50	25-50	27-53	14-40	21-84	17-42	2-36	3-22
Use of Fund credit outstanding at start of arrangement, excluding special facilities													
SBA (average)	71	44	36	22	25	50	27	31	61	39	32	72	77
EFF (average)	48	88	35	59	51	107	52	195	88	182	...	43	4
Projected use of Fund credit outstanding at end of arrangement, excluding special facilities													
SBA (average)	86	88	69	57	101	85	219	107	115	93	103	109	139
EFF (average)	48	94	80	101	66	145	78	217	94	224	...	154	35
Projected use of Fund credit outstanding at start of arrangement, including special facilities													
SBA	91	55	61	64	58	71	47	41	84	52	47	76	98
EFF	48	94	80	101	66	145	78	217	94	224	...	68	53
SAF	...	...	...	106	151	...	...	...	...	...	...	...	...
ESAF/PRGF	77	...	53	100	113	87	96	94	103	78	98	21	93
Projected use of Fund credit outstanding at end of arrangement, including special facilities													
SBA	115	103	106	104	142	103	365	116	133	103	113	109	154
EFF	275	174	150	149	147	230	189	317	181	237	...	163	118
SAF	70	...	...	150	235	...	...	...	...	...	...	...	...
ESAF/PRGF	188	...	128	165	154	166	183	169	134	122	123	21	93
Commitments (on approval)													
In percent of total quota	13	10	2	4	15	9	20	17	6	6	7	18	2
In billions of SDRs	9	7	3	6	21	13	29	24	14	12	15	39	5
Number of arrangements approved													
All arrangements	30	26	22	35	30	33	21	21	20	23	21	20	15
Non-exceptional arrangements	30	26	22	35	29	31	18	19	19	22	20	18	14

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: 8th General Review of Quotas through October, 1992; 9th General Review of Quotas through January 1999; 11th General Review of Quotas through January 2003, and 12th Review of Quotas thereafter. From November 1992 to October 1994, annual access limits were set at 68 percent of 9th General Review quotas, and since then the access limit of 100 percent of quota has been in effect.

3/ Including first credit tranche arrangements.

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

Table 5. Current IMF Lending Arrangements
(In thousands of SDRs, as of July 31, 2003)

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

Member	Date of Approval	Date of Expiration	Total Amount Agreed	Undrawn Balance	IMF Credit Outstanding Under GRA
Argentina	January 24, 2003	August 31, 2003	2,174,500	226,200	10,714,547
Bolivia	April 2, 2003	April 1, 2004	85,750	32,150	53,600
Bosnia and Herzegovina	August 2, 2002	November 1, 2003	67,600	12,000	105,850
Brazil	September 6, 2002	December 31, 2003	22,821,120	8,664,298	21,256,093
Of which : Supplemental Reserve Facility	September 6, 2002	September 5, 2003	7,609,691	1,521,408	9,405,241
Bulgaria	February 27, 2002	February 26, 2004	240,000	78,000	800,275
Colombia	January 15, 2003	January 14, 2005	1,548,000	1,548,000	0
Croatia, Republic of	February 3, 2003	April 2, 2004	105,880	105,880	0
Dominica	August 28, 2002	February 27, 2004	3,280	923	2,358
Ecuador	March 21, 2003	April 20, 2004	151,000	120,800	246,305
Guatemala	June 18, 2003	March 15, 2004	84,000	84,000	0
Jordan	July 3, 2002	July 2, 2004	85,280	74,620	315,467
Macedonia, former Yugoslav Republic of	April 30, 2003	June 15, 2004	20,000	16,000	19,961
Peru	February 1, 2002	February 29, 2004	255,000	255,000	107,000
Romania	October 31, 2001	October 15, 2003	300,000	110,223	341,073
Turkey	February 4, 2002	December 31, 2004	12,821,200	2,381,400	16,426,695
Uruguay	April 1, 2002	March 31, 2005	2,128,300	652,400	1,654,450
Of which : Supplemental Reserve Facility	June 25, 2002	August 8, 2002	128,700	0	128,700
		Total	42,890,910	14,361,894	52,043,674

II. General Resources Account (GRA): Extended Arrangements

Member	Date of Approval	Date of Expiration	Total Amount Agreed	Undrawn Balance	IMF Credit Outstanding Under GRA
Indonesia	February 4, 2000	December 31, 2003	3,638,000	688,120	6,515,355
Serbia and Montenegro	May 14, 2002	May 13, 2005	650,000	450,000	516,925
Sri Lanka	April 18, 2003	April 17, 2006	144,400	123,730	220,670
		Total	4,432,400	1,261,850	7,252,950

III. Poverty Reduction and Growth Facility (PRGF)

Member	Date of Approval	Date of Expiration	Total Amount Agreed	Undrawn Balance	IMF Credit Outstanding Under SAF/PRGF
Albania	June 21, 2002	June 20, 2005	28,000	16,000	63,676
Armenia, Republic of	May 23, 2001	May 22, 2004	69,000	29,000	134,163
Azerbaijan	July 6, 2001	March 31, 2005	80,450	51,480	99,168
Bangladesh	June 20, 2003	June 20, 2006	347,000	297,500	49,500
Benin	July 17, 2000	March 31, 2004	27,000	4,040	51,376
Burkina Faso	June 11, 2003	June 10, 2006	24,080	20,640	90,643
Cameroon	December 21, 2000	December 20, 2003	111,420	47,740	223,098
Cape Verde	April 10, 2002	April 9, 2005	8,640	4,950	3,690
Chad	January 7, 2000	January 6, 2004	47,600	5,200	77,696
Congo, Democratic Republic of	June 12, 2002	June 11, 2005	580,000	106,634	473,367
Cote d'Ivoire	March 29, 2002	March 28, 2005	292,680	234,140	327,706
Ethiopia	March 22, 2001	March 21, 2004	100,277	31,287	100,411
Gambia, The	July 18, 2002	July 17, 2005	20,220	17,330	23,500

Table 5. Current IMF Lending Arrangements (concluded)
(In thousands of SDRs, as of July 31, 2003)

III. Poverty Reduction and Growth Facility (PRGF)

Member	Date of Approval	Date of Expiration	Total Amount Agreed	Undrawn Balance	IMF Credit Outstanding Under SAF/PRGF
Georgia	January 12, 2001	January 11, 2004	108,000	58,500	193,800
Ghana	May 9, 2003	May 8, 2006	184,500	158,150	285,415
Guinea	May 2, 2001	May 1, 2004	64,260	38,556	95,794
Guinea-Bissau	December 15, 2000	December 14, 2003	14,200	9,120	12,745
Guyana	September 20, 2002	September 19, 2005	54,550	49,000	64,468
Kenya	August 4, 2000	August 3, 2003	190,000	156,400	57,601
Kyrgyz Republic	December 6, 2001	December 5, 2004	73,400	28,680	144,687
Lao People's Democratic Republic	April 25, 2001	April 24, 2004	31,700	18,110	27,666
Lesotho	March 9, 2001	March 8, 2004	24,500	7,000	18,633
Madagascar	March 1, 2001	November 30, 2004	79,430	34,042	118,644
Malawi	December 21, 2000	December 20, 2003	45,110	38,670	48,591
Mali	August 6, 1999	August 5, 2003	51,315	0	123,611
Mauritania	July 18, 2003	July 17, 2006	6,440	5,520	73,028
Moldova, Republic of	December 21, 2000	December 20, 2003	110,880	83,160	27,720
Mongolia	September 28, 2001	September 27, 2004	28,490	24,420	27,814
Nicaragua	December 13, 2002	December 12, 2005	97,500	76,605	140,219
Niger	December 22, 2000	December 21, 2003	59,200	13,520	85,286
Pakistan	December 6, 2001	December 5, 2004	1,033,700	516,840	812,407
Rwanda	August 12, 2002	August 11, 2005	4,000	2,855	63,025
Senegal	April 28, 2003	April 27, 2006	24,270	20,800	170,214
Sierra Leone	September 26, 2001	September 25, 2004	130,840	42,003	126,157
Sri Lanka	April 18, 2003	April 17, 2006	269,000	230,610	49,590
Tajikistan, Republic of	December 11, 2002	December 10, 2005	65,000	49,000	68,960
Tanzania	April 4, 2000	August 15, 2003	135,000	15,000	285,166
Uganda	September 13, 2002	September 12, 2005	13,500	10,000	172,868
Vietnam	April 13, 2001	April 12, 2004	290,000	165,800	251,040
		Total	4,925,152	2,718,302	5,263,143

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

			Jul. 2003	
	2001	2002	SDRs	US$
I. Total resources	217.1	218.1	218.5	304.2
Members' currencies	209.0	210.3	210.8	293.4
SDR holdings	1.5	1.2	0.8	1.1
Gold holdings	5.9	5.9	5.9	8.2
Other assets	0.7	0.8	1.0	1.4
Available under GAB/NAB activation	--	--	--	--
II. Less: Non-usable resources	114.7	117.9	122.5	170.6
Of which: Credit outstanding	53.5	63.6	68.3	95.1
III. Equals: Usable resources	102.5	100.2	96.0	133.6
IV. Less: Undrawn balances under GRA arrangements	25.8	31.9	15.5	21.6
Of which: Balances under CCL arrangements	--	--	--	--
V. Equals: Uncommitted usable resources	76.7	68.3	80.5	112.0
VI. Plus: Repurchases one-year forward	15.2	19.0	15.3	21.4
VII. Less: Prudential balance	30.9	32.6	32.6	45.4
VIII. Equals: One-year forward commitment capacity (FCC)	61.0	54.7	63.2	88.0
Memorandum items:				
Potential GAB/NAB borrowing	34.0	34.0	34.0	47.3
Quotas of members that finance IMF transactions	154.7	163.1	163.1	227.0
Liquid liabilities	56.9	66.1	69.9	97.2
Liquidity ratio (in percent)	114.9	83.8	95.4	
US$ per SDR	1.25673	1.35952	1.39195	

Note: Details may not add due to rounding. Some July 2003 figures are still preliminary.