Chapter IX

International Monetary Fund (IMF)

The International Monetary Fund (IMF), a forum in which its member States discuss global monetary issues and related economic matters, aims to assist them to develop sound policies and so engender a stable international economic and financial environment. The Fund provides members with advice on economic and financial policies, lends money to members that are undertaking economic reforms to overcome balance-of-payments difficulties and makes available to them information and technical assistance.

Each member contributes to IMF's pool of financial resources an amount of money, called a quota subscription, roughly proportional to its standing in the world economy. As at December 1988, aggregate quotas, measured in special drawing rights (SDRs)-the Fund's unit of account-amounted to SDR 90 billion ($130 billion). The amount a member has contributed determines its voting power and how much it can borrow from the Fund.

The IMF Board of Governors-the minister of finance or the head of the central bank of each member country-is the highest decision-making body in the Fund. The 22 Executive Directors, representing all IMF members, see to it that the decisions of the Board are carried out by the IMF staff.

During fiscal year 1988 (1 May 1987 to 30 April 1988), IMF continued to fulfil its surveillance mandate of the international monetary system, particularly the exchange rate policies of its members, by examining each member's policies and performance and through regular discussions of the world economic outlook.

IMF holds regular consultations with each member country, which allows it to appraise the country's overall economic situation and policies, discuss policy options and make recommendations. Consultations continued in response to modifications to the guidelines on the frequency of consultations introduced in 1987.[a] The number of consultations concluded in 1988 fell to 110 (74 per cent of membership) from 115 (75 per cent) in 1987.

At the end of 1988, the membership of IMF remained unchanged at 151 (see Annex I).

IMF facilities and policies

IMF provided member States with financial resources in support of programmes of economic adjustment. The facilities and policies through which it provided such support differed, depending on the nature of the macro-economic and structural problems to be addressed and the terms and degree of conditionality attached to them.

Stand-by arrangements, typically covering periods of one or two years, focus on specific macro-economic policies, such as exchange rate and interest policies, aimed at overcoming balance-of-payments difficulties. Extended arrangements, which support medium-term programmes generally running for three years, are available to overcome more intractable balance-of-payment difficulties, attributable to structural as well as macro-economic problems.

In September, the Interim Committee of the Board of Governors on the International Monetary System, a 22-member advisory body representing the same constituencies as in the Fund's Executive Board (see Annex II), recommended the continuation of the enlarged access policy, financed by borrowed resources, and the maintenance of the limits on the use of Fund resources in effect. Under the enlarged access policy, the limit on annual access under a stand-by or an extended arrangement continued to be 90 per cent or 110 per cent of quota; the cumulative access limit remained at 400 or 440 per cent of quota, depending on the size and nature of the member's balance-of-payments need and the strength of its adjustment efforts.

The structural adjustment facility (SAF), launched in 1986,[b] continued to provide loans on concessional terms to low-income countries facing protracted balance-of-payments problems.

In April 1988, the enhanced structural adjustment facility (ESAF), established in 1987[c] to provide additional assistance to low-income countries undertaking structural adjustments, became operational. Access under ESAF was expected to average 150 per cent of quota over a three-year programme period, with provision for up to 350 per cent in exceptional circumstances.

The compensatory financing facility, designed to help stabilize the earnings of countries exporting primary commodities, was superseded in Au-

[a]YUN 1987, p. 1251.
[b]YUN 1986, p. 1159.
[c]YUN 1987, p. 1252.

gust by the compensatory and contingency financing facility, which added a mechanism for contingency financing of member States that had entered into adjustment programmes supported by the Fund. Under the compensatory features of the facility, the Fund compensated members for levels of export earnings or cereal import costs that deviated from medium-term trends. Under the contingency features, the Fund provided additional financing to countries whose programmes might be threatened by external disruptions that might cause economic variables to deviate from those originally forecasted under the adjustment programme.

Under the buffer stock financing facility, IMF provided resources to help finance members' contributions to approved buffer stocks of commodities.

Financial assistance

During 1988, there were sharp increases in the use of Fund resources by members under the compensatory financing facility. Drawings by seven members totalled SDR 1.5 billion (compared to purchases by eight members of SDR 593 million in fiscal year 1987). Amounts agreed under stand-by and extended arrangements and SAF totalled SDR 4.54 billion.

The number of IMF financial arrangements in effect increased to 45 at the end of fiscal 1988, compared to 34 at the end of 1987. As at 30 April 1988, there were 18 stand-by arrangements (Argentina, Central African Republic, Costa Rica, Côte d'Ivoire, Ecuador, Egypt, Gabon, Guinea, Jamaica, Kenya, Malawi, Mauritania, Philippines, Senegal, Somalia, Togo, Tunisia, Zaire); 2 extended arrangements (Chile, Ghana); and 25 SAF arrangements (Bangladesh, Bolivia, Burundi, Central African Republic, Chad, Dominica, Gambia, Ghana, Guinea, Guinea-Bissau, Haiti, Kenya, Madagascar, Mauritania, Mozambique, Nepal, Niger, Senegal, Sierra Leone, Somalia, Sri Lanka, Togo, Uganda, United Republic of Tanzania, Zaire).

At the end of fiscal year 1988, credit outstanding in the General Resources Account was SDR 27.83 billion, a decline of SDR 3.8 billion compared to 1987.

Purchases, or drawings, on IMF'S resources included SDR 1.7 billion under stand-by arrangements, SDR 260 million under extended arrangements and SDR 1.54 billion under the compensatory financing facility. Two countries had purchases outstanding totalling SDR 3 million in the buffer stock financing facility. As at 30 April 1988, loan disbursements under SAF totalled SDR 1.36 billion, with undisbursed commitments totalling SDR 0.77 billion.

Liquidity

As at 30 April 1988, the Fund's usable ordinary resources totalled SDR 41 billion, compared with SDR 39.3 billion at the end of the preceding fiscal year.

The Fund borrowed from official lenders to supplement its resources and to finance members' purchases under the enlarged access policy. The total amount of borrowed resources available at the end of fiscal 1988 declined to SDR 5.3 billion from SDR 7.1 billion at the end of fiscal 1987.

The Fund borrowed SDR 1.3 billion and repaid SDR 4.9 billion, resulting in a net decrease in total outstanding borrowing of SDR 3.6 billion, from SDR 12.7 billion at the end of fiscal 1987 to SDR 9.1 billion at the end of fiscal 1988.

SDR activity

Total transfers of SDRS increased in 1988 to SDR 19.9 billion from SDR 15.6 in 1987. While transactions with designation continued to decline, voluntary transfers among participants and prescribed holders increased sharply by 87 per cent, resulting in a 50 per cent rise in total transfers among them to SDR 9.5 billion. The volume of SDR transfers involving prescribed holders nearly tripled, to SDR 1.9 billion from SDR 0.68 billion during fiscal 1987.

The amount of SDRS transferred between participants and IMF increased by 12 per cent over the previous fiscal year. Transfers from participants to the General Resources Account increased by 8 per cent to SDR 4.61 billion. Transfers from that Account to participants in purchases, remuneration payments, sales to members needing SDRS for payments of charges, and interest payments on and repayments of Fund borrowings increased by 15 per cent to SDR 5.8 billion.

Policy on arrears

The continued delay by some members in discharging financial obligations to the Fund was of increasing concern during the fiscal year. Total overdue obligations rose from SDR 1.19 billion at the end of fiscal 1987 to SDR 1.94 billion at the end of fiscal 1988. The number of members in arrears by six months or more rose by one, to nine. During 1988, three members were declared ineligible to use the general resources of the Fund in view of their overdue obligations to the General Department. Earlier declarations of ineligibility with respect to five members remained in effect.

Concerned by the continued increase of overdue obligations, the Interim Committee in April 1988 requested the Executive Board to prepare a report on measures to reduce, and eventually eliminate, arrears to the Fund.

Technical assistance and training

Technical assistance continued to be an important part of IMF services to its members, focusing on general economic policy, balance-of-payments adjustment programmes, legal matters, debt management, problems arising from inflation, exchange and trade systems, public finance issues, financial sector issues, accounting, statistics and data processing.

Training of officials from member countries was provided by the IMF Institute through courses and seminars in economic analysis and policy. During fiscal 1988, the Institute conducted 14 courses and one seminar at IMF headquarters (Washington, D.C.) on financial analysis -and policy, financial programming and policy, public finance, techniques of economic analysis, balance-of-payments methodology, money and banking statistics, government finance statistics and the role of IMF in the international monetary system. The Institute's training abroad included three seminars-on financial analysis and policy (Lao People's Democratic Republic), financial programming and policy (Sierra Leone) and financial analysis (Algeria). It also provided lecturing assistance to international, regional and national organizations.

IMF-World Bank collaboration

Collaboration between IMF and the World Bank intensified during fiscal 1988. Co-operation consisted of joint participation in missions, attendance at each other's Executive Board meetings, the regular exchange of documents and information, and attendance at and participation in conferences and seminars.

The two institutions also co-operated in support of low-income countries in terms of SAF and ESAF.

The Fund and Bank staff collaborated closely in efforts to encourage the flow of resources from donor Governments to member States.

Secretariat

As at 31 December 1988, the total full-time staff of IMF-including permanent, fixed-term and temporary employees-was 1,713, drawn from over 100 nationalities. (For senior officers, see Annex III.)

NOTE: For details of IMF activities in 1988, see International Monetary Fund, Annual Report of the Executive Board for the Financial Year Ended April 30, 1988 and International Monetary Fund, Annual Report of the Executive Board the Financial Year Ended April 30, 1989, published by the Fund.

Annex I. MEMBERSHIP OF THE INTERNATIONAL MONETARY FUND

(As at 31 December 1988)

Afghanistan, Algeria, Antigua and Barbuda, Argentine, Australia, Austria, Bahamas, Bahrain, Bangladesh, Barbados, Belgium, Belize, Benin, Bhutan, Bolivia, Botswana, Brazil, Burkina Faso, Burma, Burundi, Cameroon, Canada, Cape Verde, Central African Republic, Chad, Chile, China, Colombia, Comoros, Congo, Costa Rica, Côte d'lvoire, Cyprus, Democratic Kampuchea, Democratic Yemen, Denmark, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Ethiopia, Fiji, Finland, France, Gabon, Gambia, Germany, Federal Republic of, Ghana, Greece, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Hungary, Iceland, India, Indonesia, Iran, Iraq, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kenya, Kiribati, Kuwait, Lao People's Democratic Republic, Lebanon, Lesotho, Liberia, Libyan Arab Jamahiriya, Luxembourg, Madagascar, Malawi, Malaysia, Maldives, Malta, Malta, Mauritania Mauritius, Mexico, Morocco, Mozambique, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines Poland, Portugal, Qatar, Republic of Korea, &me&, Rwanda, saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sao Tome and Principe, Samoa, Saudi Arabia, Senegal, Seychelles, Sierra Leone, Singapore, Solomon Islands, Somalia, South Africa, Spain, Sri Lanka, Sudan, Suriname, Swaziland, Sweden, Syrian Arab Republic, Thailand, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkey, Uganda, United Arab Emirates, United Kingdom, United Republic of Tanzania, United States, Uruguay, Vanuatu, Venezuela, Viet Nam, Yemen, Yugoslavia, Zaire, Zambia, Zimbabwe.

Annex II. EXECUTIVE DIRECTORS AND ALTERNATES OF THE INTERNATIONAL MONETARY FUND

(As at 31 December 1988)

Appointed Director	Appointed Alternate	Casting the vote of
Charles H. Dallara	Charles S. Warner	United States
Frank Cassell	Charles Enoch	United Kingdom
Guenter Grosche	Bernd Goos	Federal Republic of Germany

Appointed Director	Appointed Alternate	Casting the vote of
Hélène Ploix	Dominique Marcel	France
Koji Yamazaki	Shinichi Yoshikuni	Japan
Yusuf A. Nimatallah	Ibrahim Al-Assaf	Saudi Arabia

Elected Director	Elected Alternate	Casting the votes of
Renato Filosa (Italy)	Nikos Kyriazidis (Greece)	Greece, Italy, Malta, Poland, Portugal
Leonor Filardo (Venezuela)	Miguel A. Fernández Ordónez (Spain)	Costa Rice, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, Venezuela
G. A. Posthumus (Netherlands)	G. P. J. Hogeweg (Netherlands)	Cyprus, Israel, Netherlands, Romania, Yugoslavia
Jacques de Groote (Belgium)	Johann Prader (Austria)	Austria, Belgium, Hungary, Luxembourg, Turkey
Mohamed Finaish (Libyan Arab Jamahiriya)	Abdul Moneim Othman (Iraq)	Bahrain, Democratic Yemen, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libyan Arab Jamahiriya, Maldives, Oman, Pakistan, Qatar, Somalia, Syrian Arab Republic, United Arab Emirates, Yemen
Marcel Massé (Canada)	Dara McCormack (Ireland)	Antigua end Barbuda, Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent end the Grenadines
C. R. Rye (Australia)	Chang-Yuel Lim (Republic of Korea)	Australia, Kiribati, New Zealand, Papua New Guinea, Philippines, Republic of Korea, Samoa, Seychelles, Solomon Islands, Vanuatu
Jorgen Ovi (Denmark)	Markus Fogelholm (Finland)	Denmark, Finland, Iceland, Norway, Sweden
Bimal Jalan (India)	L. Eustace N. Fernando (Sri Lanka)	Bangladesh, Bhutan, India, Sri Lanka
Alexandre Kafka (Brazil)	Jerry Hospedales [Trinidad end Tobago)	Brazil, Colombia, Dominican Republic, Ecuador, Guyana, Haiti, Panama, Suriname, Trinidad and Tobago
J. E. Ismael (Indonesia)	Ekamol Kiriwat (Thailand)	Burma, Fiji, Indonesia, Leo People's Democratic Republic, Malaysia, Nepal, Singapore, Thailand, Tonga, Viet Nam
El Tayeb El Kogali (Sudan)	L. B. Monyake (Lesotho)	Botswana, Burundi, Ethiopia, Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Nigeria, Sierra Leone, Sudan, Swaziland, Uganda, United Republic of Tanzania, Zambia, Zimbabwe
Dai Qianding (China)	Zhang Zhixiang (China)	China
Ernesto V. Feldman (Argentina)	Ricardo J. Lombardo (Uruguay)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay
Mohammad Reza Ghasimi (Iran)	Omar Kabbaj (Morocco)	Afghanistan, Algeria, Ghana, Iran, Morocco, Tunisia
Mawakani Samba (Zaire)	Corentino V. Santos (Cape Verde)	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Côte d'lvoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, Sao Tome and Principe, Senegal, Togo, Zaire

NOTE: Democratic Kampuchea end South Africa did not participate in the 1988 regular election of Executive Directors.

Annex III. OFFICERS AND OFFICES OF THE INTERNATIONAL MONETARY FUND
(As at 31 December 1988)

SENIOR OFFICERS

Managing Director: Michel Camdessus.
Deputy Managing Director: Richard D. Erb.
Economic Counsellor: Jacob A. Frenkel.
Counsellors: Mamoude Touré, Leo Van Houtven, L. A. Whittome.
Director, Administration Department: Graeme F. Rea.
Director, African Department: Mamoude Touré.
Director, Asian Department: P. R. Narvekar.
Director, Central Banking Department: J. B. Zulu.
Director, European Department: Massimo Russo.
Director, Exchange end Trade Relations Department: L. A. Whittome.
Director. External Relations Department: Azizali F. Mohammed.
Director, Fiscal Affairs Department: Vito Tanzi.
Director, IMF Institute: Gérard M. Teyssier.
General Counsel, Legal Department: François P. Gianviti.
Director, Middle Eastern Department: A. Shakour Shaalan.
Director, Research Department: Jacob A. Frenkel.
Secretary, Secretary's Department: Leo Van Houtven.
Treasurer, Treasurer's Department: F. Gerhard Laske.
Director, Western Hemisphere Department: Sterie T. Beza.
Director, Bureau of Computing Services: Warren N. Minami.
Director, Bureau of Language Services: Alan Wright.
Director, Bureau of Statistics: John B. McLenaghan.
Director, Office in Europe (Paris): Andrew J. Beith.
Director, Office in Geneva: Jack P. Barnouin (Acting).

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IMF also maintained offices et Geneva and in Paris.