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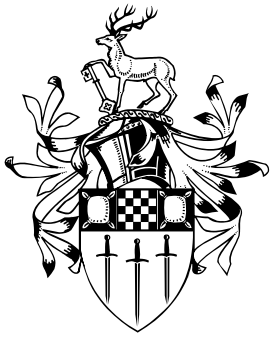

**Discussion Papers in Economics**

# SHOULD IT BE CURTAINS FOR SOME OF THE IMF'S LENDING WINDOWS?

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# Should It Be Curtains for Some of the IMF's Lending Windows?

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Increasing attention is being paid to IMF governance, and the structure and size of the Fund's lending operations. However, less interest has been shown in the array of lending windows through which the IMF makes resources available. There have nonetheless been clear trends over recent years in the extent to which the windows are used. What discussion has occurred has been largely qualitative. In this paper, and as far as the data allow, we adopt a quantitative approach and focus on the extent to which the economic circumstances in which countries sign extended and concessionary arrangements differ from those in which they sign conventional stand bys. On this basis, we claim that there is a strong case for discontinuing the EFF but for continuing the PRGF. The paper also discusses, more broadly, reforms to the structure of the IMF's lending windows.

JEL: F33

## 1. Introduction

Questions are increasingly being asked about many aspects of the International Monetary Fund's organisational structure. Common amongst them are those that relate to governance; including the structure of the Executive Board, quotas and voting rights. However, rather less attention has been paid to the range of lending facilities or windows through which the IMF makes its loans. In some ways this is surprising since one dimension of the claim that the Fund has exhibited 'mission creep' may be seen in the proliferation of IMF lending windows. From a situation in the early 1950s, when all IMF lending was conducted via stand-by arrangements, by the end of the 1990s there were six facilities under which client countries could, in principle, borrow from the Fund.

From amongst them the most frequently used windows, in addition to conventional stand-bys, were the Extended Fund Facility (EFF) and the Poverty Reduction and Growth Facility (PRGF). The implicit logic of having an array of facilities must be that they serve different purposes. Certainly PRGFs differ from SBAs and EFFs in as much as assistance is granted at concessionary rates and only to low-income countries. Furthermore, the Fund's rubric relating to each of its facilities suggests that they meet different needs. But are these claims matched by reality? Is it possible to pick up discernible differences in the economic characteristics of countries that draw from the IMF under different facilities. Up to now there is no study that has sought to answer this question in a formal fashion.

The purpose of this paper is to fill this gap in the literature. Based on an analysis of IMF programs over the period 1975 – 2000, it examines whether there are statistically

significant differences in the economic circumstances under which countries borrow under EFF and PRGF facilities as opposed to conventional SBAs. If there are, the IMF may have devised an appropriate array of lending windows. If not, the question arises as to whether the Fund needs to retain all of them. Might there be scope for rationalisation? And if so, which windows should be left open and which should be closed?

The paper is organised in the following way. Section 2 provides a brief account of the evolution of IMF facilities, and reports the Fund's rationale for their separate status. Section 3 presents some descriptive statistics to show the extent to which the facilities have been used in the period since the beginning of the 1990s. These will show that some of the facilities are little used. Section 4 goes on to focus on those current programs that have been used most heavily; SBAs, EFFs, and PRGFs. It explores the extent to which the use of these particular facilities is connected to statistically significant differences in economic circumstances, and examines whether the stated differences in the facilities are reflected empirically. In the light of the findings reported, Section 5 goes on to consider the scope for reorganising and rationalising the current range of IMF facilities. Finally, Section 6 offers a few concluding remarks about how reform of the IMF's range of lending windows fits into the broader debate about IMF governance.

## 2. The IMF's Lending Facilities: Brief Description and History[1]

[1] This section draws heavily on Bird (2003).

By way of background, this section provides a brief description of the Fund's financial facilities, and the circumstances in which they were introduced.[2] The IMF has recently reviewed its facilities, and a detailed and current description of them are found in the associated papers available on their website.

Since 1952 the Fund has used stand-by arrangements to make financing available to member countries with a balance of payments need. The typical SBA is for 12-18 months, with financing being conditional on the borrower fulfilling specified performance requirements; conditionality is phased over a series of credit tranches which become progressively stricter. Loans must be repaid within 3¼ to 5 years. To supplement SBAs the Fund introduced the Compensatory Financing Facility (CFF) in 1963 to assist countries in dealing with the effects of externally generated and temporary export shortfalls. The conditionality attached to CFF loans was light by comparison with upper credit tranche stand-bys and only required countries to be co-operating in making reasonable efforts to deal with their balance of payments difficulties. Over time the CFF was modified in various ways. Access to it was liberalised significantly in 1966, 1975 and 1979 and there was a surge in drawings under the CFF in 1976 and in the early 1980s. It was also expanded in 1981 to cover excess payments on the import of cereals associated with poor domestic harvests, and,

[2] There are other lending programmes used by the Fund that are not covered in this section. The IMF may, for example, lend Emergency Assistance for Natural Disasters. However, this is not a 'facility' as such but rather a 'flexible application of the existing policies on use of the credit tranches'. In a similar vein the Fund offers Emergency Assistance for Post-Conflict Countries where 'institutional and administrative capacity has been disrupted as a result of conflict'. The Fund created a Y2K Facility in 1999 which was unused and lapsed in 2000. it also from 1989 stood ready to support the upfront costs of debt reduction schemes alongside the Brady Plan via its Debt and Debt Service Reduction (DDSR) operations. In 1995 it established Currency Stabilisation Funds (CSFs) as an element within stand-by and extended arrangements to provide additional precautionary support in the initial stag of exchange rate-based stabilisation. Both the DDSR and the CSF were discontinued as part of the Fund's review of its facilities in 2000 and are not discussed in this paper. Their introduction is, however, further evidence of the process by which Fund lending has evolved and this is discussed later. For the IMF's view on how its facilities needed to be reformed see IMF (2000). The proposals contained in this report are far from radical.

in 1988, was expanded still further to cover increases in interest payments associated with rising world interest rates. However, during 1983-88 the conditionality associated with the CFF was tightened and in effect it lost its low conditionality status[3]. Access was modified to depend on whether a country already had in place a high conditionality programme with the IMF or would be deemed acceptable for one. In 1988 the facility was also renamed the Compensatory and Contingency Financing Facility (CCFF) to reflect the wider range of contingencies that, in principle, were covered by it.

Returning to the 1960s, the problem of export instability to which the CFF was originally directed had also been associated with a downward movement in the terms of trade of many primary products in relation to manufactured goods. Commodity agreements were to become an important theme within the context of a New International Economic Order during the 1970s as a way of dealing with both adverse terms of trade movements and price instability, and, in 1968, the Fund introduced the Buffer Stock Financing Facility (BSFF) to assist countries that encountered balance of payments problems as a consequence of contributing to such schemes.

The problems encountered by developing countries also lay behind the introduction of the Extended Fund Facility (EFF) in 1974, which aimed to provide medium-term finance to help with structural adjustment, particularly for economies 'characterised by slow growth and an inherently weak balance of payments position which prevents pursuit of an active development policy'. Also in the 1970s the Fund introduced, as a temporary measure, the Oil Facility (1974-76) to help countries deal with the balance of payments consequences of the four-fold increase in the price of oil in 1973. To help

[3] An early critique of these changes may be found in Dell (1985).

poorer countries, a Subsidy Account was introduced supported by a Trust Fund financed by gold sales, which allowed the rate of interest on drawings under the Oil Facility to be reduced.

The Trust Fund was used again in the late 1980s to help establish the Structural Adjustment Facility (SAF) and then the Enhanced Structural Adjustment Facility (ESAF). These facilities were therefore different from stand-bys, the CFF, the BSFF and the EFF inasmuch as they were not financed from the General Resources Account (GRA) of the IMF and were on concessionary terms. However, they were similar inasmuch as their increasing emphasis on conditionality. Indeed the SAF, which was perceived as having fairly weak conditionality, was quickly supplemented and soon replaced by the ESAF where conditionality often incorporated not only the traditional elements of monetary, fiscal and exchange rate policy, but also structural conditionality relating to the micro economy and openness.

The 1990s witnessed a further proliferation of lending facilities. Just as the Oil Facility had been introduced to help deal with the aftermath of the oil crises in the 1970s, the Systemic Transformation Facility (STF) was introduced temporarily (1993-95) with low conditionality to assist countries in transition (CITS) during the early phases of moving towards market-based economic systems.

The Fund also responded to the financial crises that were a feature of the 1990s. Following the Mexican crisis in 1994 and then the East Asian crisis in 1997/98, it established the Supplemental Reserve Facility (SRF) in 1997, ‘to supplement resources made available under SBAs and the EFF in order to provide financial assistance for exceptional balance of payments difficulties owing to a large short-term

financing need resulting from a sudden and disruptive loss of market confidence'. Two years later in 1999 it introduced the Contingent Credit Lines (CCL) to provide a 'precautionary line of defence' for counties with 'strong economic policies' against balance of payments problems resulting from international financial contagion.

The Fund had come a long way from the days when stand-bys were seen as an adequate modality for dealing with all balance of payments difficulties. Had it come too far? In 2000 it began a full review of its array of lending facilities. Critics – one of the authors included (Bird, 1995) – had for some time been suggesting that there was scope for rationalisation or, in the terminology preferred by the Fund, 'streamlining' (or even 'house-cleaning'). What emerged from this review?

The Fund decided to discontinue the BSFF; not unreasonably since no drawing had been made under the facility for 16 years, and no commodity agreements existed for which BSFF financing was eligible. It also went on to remove the contingency element of the CCFF returning the facility to its former status (and name) as the CFF, largely because operational difficulties – 'complexity and rigidity' – had meant that this element had been little used – and not used at all for eight years[4]. Some Executive Directors apparently favored eliminating the CFF altogether on the grounds that it is difficult to measure the extent of an export shortfall and the extent to which it is temporary, that resources are provided 'up front' in a way that 'can weaken economic reform incentives', and that adjustment is difficult to ensure outside an SBA or EFF (or indeed an ESAF, which was renamed the Poverty Reduction and Growth Facility in 1999). However, the majority of Executive Directors on the Fund's Board favoured retaining the CFF provided it was confined 'to cases where arrangements are in place

[4] The IMF (1999) in its review of the CCFF quotes James Boughton's assessment of the contingency window as 'a hydra-headed facility of mind-numbing and self-defeating complexity'.

or in which the balance of payments position is deemed satisfactory apart from a temporary export shortfall or cereal import excess'.

The Executive Board also opted to retain the EFF, but confirmed that users of this facility would be expected to have only 'limited access to private capital' and 'an appropriately strong structural reform program to deal with the embedded institutional or economic weaknesses'. The EFF was now presented as an appropriate facility for those countries graduating from a PRGF program or for CITS without 'enough' access to capital markets. Strict conditionality therefore continues to be a key feature of the EFF, as well as the CFF. This was also true in the case of the SRF and CCL. Although the latter facility had been modified slightly in November 2000,[5] the changes had not altered its high conditionality status. In order to draw resources under the CCL, countries had to be pursuing policies that would, in effect, make them eligible to draw under a higher credit tranche SBA. However, the CCL never proved popular since countries were concerned that negotiating one would transmit a negative signal to markets. Unused, the facility was abandoned in 2003.[6]

This brief historical tour of the IMF's lending windows provides us with a sense of how facilities and programs have evolved, but does not answer the question of

[5] The changes are reported in a 'Summing Up by the Acting Chairman of the IMF Executive Board: Contingent Credit Lines'. The text is difficult to summarise succinctly, but it explains – not always clearly – how a country has to satisfy four criteria in order to be eligible for assistance under the modified CCL. In large measure the criteria seek to ensure that policies deemed appropriate by the Fund are in place right up to the moment resources are drawn. Thus agreement at an earlier stage seems to offer no absolute guarantee that resources will be available when the country wishes to activate a drawing. The final criterion requires a member to submit 'a satisfactory economic and financial programme, including a quantified framework, which the member stands ready to adjust as needed'. Moreover 'such policies would be expected to be of sufficient quality and strength that they would meet the standards required of drawings in the upper credit tranches'.

[6] Again clarity is at something of a premium since while 'the member would be expected to meet repurchase expectations … Fund supported programmes will continue to be guided by the requirement that the member should be able to meet repurchase obligations (rather than expectations). Moreover, it seems that to meet repurchase expectations the external position of a member will have to be stronger than that projected at the time of an arrangement. Thus to meet repurchase expectations it seems that the balance of payments improvement has to have been unexpected!

whether or not the current configuration of facilities is appropriate. Do they all fulfil a distinct and useful function? We shall attempt to answer this question in two ways. In the following section we provide descriptive statistics on the use made of the facilities. Next, in Section 4, and from amongst those facilities that have been most heavily used, we shall examine the extent to which they fulfil distinct functions.

## 3. Descriptive Statistics

As reported by the (IMF, 2000), over the period 1989 – 1999 SBAs were the most commonly used non-concessionary facility. Also, while there were about as many CCFF arrangements as EFF arrangements, the amount of assistance provided by EFFs was about five times as much as that provided by the CCFF. In turn, EFFs were quantitatively only about half as important as SBAs.

How have things changed in subsequent years? Data in Table 1 relate to arrangements in effect over the period 1995-2004. These show that the CCFF/CFF has not been used, and that since 2000 there has been a sharp decline in the use of the EFF, with only two EFFs arrangements being signed in 2004. Table 2 provides information on outstanding IMF credit. It confirms the effective demise of the CCFF/CFF and also reflects the declining use of extended arrangements; although even in 2003 outstanding credit under EFFs was only just under half as much as under SBAs.

TABLES 1 and 2 ABOUT HERE

Should some of these facilities be allowed to fall into disuse? In the next section we examine the main IMF facilities to see whether there are discernible differences in the

economic circumstances of the countries that use them. Is there sufficient distinction between them to justify their continued existence? Although we do not include the CFF as part of this examination, given the paucity of evidence upon which to draw, we do discuss the rationale of a separate compensatory facility in Section 5.

## 4. Empirical Results: Method and Findings.

The purpose of this section is to see whether there are statistically significant differences between the economic circumstances under which countries draw under the three main Fund facilities (SBA, EFF, SAF/ESAF/PRGF). It may be, of course, that the facilities differ in terms of the conditionalties that are attached to them. We do not examine this directly in this section, although we do discuss it in the following one. However, it may seem reasonable to assume that the design of programs and the related conditionality should be linked to the causes of economic distress that lead to IMF support begin sought in the first place. In this case differences in the content of conditionality should reflect differences in the factors determining IMF programs.

The paper examines all SBA, EFF and SAF/ESAF/PRGF agreements over the period 1975-2000. We only examine the population of signed agreements (for which data exist) since our purpose here is not to explain whether countries do or do not sign programs, but rather the facility to which the program is attributed. We omit from our sample countries that had overlapping programs under different facilities. We base our analysis on what has become a fairly structured economic model of the determinants of IMF programs. There is a substantial literature on this that we do not seek to summarise here, except to note that there is a broad degree of consensus with regards the most important economic variables (see Bird and Rowlands 2001 for a

brief summary of the literature). More recent research has augmented the standard economic model with additional political variables to assess whether IMF lending is systematically political in nature (Thacker, 1999, Bird and Rowlands, 2001, Anderson et al 2006). These studies have usually focused on the idea that there is a significant US influence over the incidence of IMF programs. However, in the current paper we are not concerned about potential political bias. Our concern is rather whether there is any revealed economic logic in distinguishing between SBAs, EFFs and PRGFs and whether the Fund's claims about the differences between them that are presented in terms of the underlying economic circumstances are matched by empirical reality.

Having created our sample of countries we then use Stata to run a multinomial logit model on the data. This allows us to identify any significant differences between both EFFs and SBAs, and PRGFs and SBAs in terms of the likely determining factors. Since EFFs and PRGFs are, in principle, intended to help deal with longer term structural problems as well as problems of short-term stabilisation, we include in our basic model proxies for these in the form of longer term growth and longer term inflation. We ran various specifications of the model but only report in detail the results from the one we believed to be the most satisfactory in tersm of having as large a sample as possible. The inclusion of some additional variables, such as the budget deficit, severely reduced the sample size. The results from our preferred model are presented in Tables 3 and 4. Details relating to data sources and the definitions of the variables included in our model are provided in an Appendix.

TABLE 3 ABOUT HERE

Table 3 reports our findings for the comparison between EFFs and SBAs. We use SBAs as our point of comparison, so this Table identifies those country characteristics that differ significantly between countries that sign SBAs and those that sign EFF agreements. The basic findings are that, apart from recent past programs, there are no statistically significant differences between EFFs and SBAs. In the case of past programs, EFFs appear to be significantly associated with fewer recent past programs. In essence, then, the alternative seems to be between serial stand-by agreements and one longer term EFF. Perhaps the Fund has been keen to keep countries with a history of engagement on a relatively short leash; this is better achieved by SBAs than by EFFs.

Although it just fails tests of significance in Table 3, publicly guaranteed debt-to-GDP did show up as being significantly different for EFFs than for SBAs in other specifications of the model. There is therefore perhaps some weak evidence that countries that have borrowed heavily in capital markets are more likely to sign SBAs than EFFs. This is consistent with the Fund's defence of the EFF, since it is supposed to assist countries with limited access to private capital. However, overall, the results reported in Table 3 do not provide compelling evidence that countries drawing under EFFs have discernibly different economic circumstances than those drawing under SBAs.

TABLE 4 ABOUT HERE

Table 4 reports our findings when we repeat this exercise for a comparison between SAFs /ESAFs /PRGFs (i.e. concessionary lending financed by the IMF's Trust Fund) and SBAs financed from the General Resources Account (GRA). Here we find a

larger number of significant differences. First, and unsurprisingly, countries drawing under the concessionary programs have lower per capita income. Perhaps more surprisingly, they have a faster rate of economic growth over the previous five years. Although their longer-term inflation is higher, perhaps reflecting in part structural deficiencies, a higher contemporary rate of inflation makes it more likely that countries will have SBAs than PRGFs. This may reflect problems of short-term instability which in turn make short-term stabilisation under an SBA more appropriate. The finding that PRGF countries have higher levels of past rescheduling probably reflects their need for some form of debt relief under the umbrella of the Paris Club (or London Club). Since the characteristics of countries using EFFs are largely indistinguishable from those using SBAs, by implication users of PRGFs differ from SBA users in the same way as they differ from EFF countries.

The basic message from our findings is that the economic circumstances surrounding the signing of EFF programs are little different from those surrounding SBAs. There is perhaps some weak evidence that EFF countries have relatively impaired access to private capital but this frequently fails standard significance tests. There is no evidence that they are ‘characterised by slow growth and an inherently weak balance of payments position’ as the IMF claims that they are. The economic circumstances found in PRGF countries are also in many ways similar to those found in SBA countries, but since eligibility for PRGF loans is limited to low income countries, it is reassuring that the association with low per capita income is confirmed by our data. Beyond this, there is at least a muted message that countries drawing under the PRGF have longer-term macroeconomic disequilibria that may be associated with structural shortcomings. What implications do these results have for the configuration of IMF lending windows?

## 5. Reorganising IMF Lending Windows.

The justification for retaining or introducing IMF facilities should rest on two related criteria. The first is that the facility is directed towards dealing with countries that have a distinct set of economic characteristics and problems. The second is that the nature of the required conditionality differs. At the time of writing (May 2005) the IMF has two facilities that have either not been recently used or seem to be being used less and less. Should these lending windows be scrapped or re-energised?

In the case of the EFF, there are strong grounds for discontinuation on the basis of the empirical results reported in the previous section. There appear to be no important and significant economic distinctions between countries that have borrowed under EFFs as compared to SBAs. Moreover, other studies have historically found little meaningful difference between EFFs and SBAs in terms of conditionality. Even if differences in conditionality do exist they tend to be in that EFFs contain additional structural conditions. But the Fund has been engaged in a process of 'streamlining' conditionality since the early 2000s; it has been paring down structural conditions. It may therefore not be coincidental that the EFF seems to have fallen out of favor.

The gap left by the demise of the EFF, specifically the absence of a non-concessional longer-term program aimed at structural problems, could be filled in one of two ways. First, the IMF could use sequential SBAs, as it seems to now, or if necessary modify the SBA to allow for longer term agreements. In this instance the existing concessionary versus non-concessionary dichotomy of Fund facilities would be maintained. Alternatively, the EFF could be merged into the PRGF to deal with

longer-term structural problems in both poorer developing and middle-income emerging market countries, maintaining the short-term versus long-term distinction of IMF programs. In this case the combined EFF-PRGF facility could be financed in part from the GRA as well as the Trust Fund, with the rate of subsidy adjusted to reflect the level of per capita income of the borrower.

Our findings do suggest that it is sensible to retain the PRGF – merged with the EFF or on its own. The retention of the PRGF is warranted not only because the nature of conditionality may differ from that incorporated in conventional stand-bys by including structural elements, but also because the circumstances under which poor countries use the PRGF seem to differ from those that are associated with SBAs.

This leaves open the question of the future of the CFF. Given its almost zero usage over recent years we were unable to undertake the same empirical exercise as we did for extended and concessionary arrangements. However, it does seem appropriate that the Fund should retain and indeed enhance a facility that is designed to deal with short-term external shocks that make unsustainable a balance of payments that would otherwise have been sustainable. The logic here is that the Fund should be able to help countries offset the effects of temporary negative exogenous shocks. Assuming that the shocks are indeed temporary and will be reversed, it follows that what countries require is financial assistance designed to overcome short-term illiquidity. Since the Fund's financial help should be disbursed quickly in these circumstances, there are persuasive arguments for such lending to involve 'low' conditionality, as indeed was the situation with the original version of the CFF. Moreover, the moral hazard argument for conditionality is not relevant if the shock is exogenous. One suspects that the Fund's lack of enthusiasm for the CFF reflects the operational difficulties in

measuring ‘temporary external shocks’ rather than opposition to the basic idea of compensating against external shocks. While it is certainly true that there are problems in identifying contemporaneously just how ‘temporary’ a shock is, or the extent to which it is external, there would seem to be good reason not to abandon the attempt prematurely.

## 6. Concluding Remarks.

Increasing attention is being paid to IMF governance, as well as the structure and size of its lending operations. However, less attention has been paid to the array of windows through which the Fund makes its loans. An internal review (IMF, 2000) advised that one minor facility (the BSFF) that had not been used for more than 15 years should be scrapped, but otherwise suggested little change. Indeed, the most recent phenomenon has been the introduction and subsequent abandonment, unused, of the Contingent Credit Lines designed to defend countries against the effects of contagion from economic crises elsewhere. At the same time, there are clear trends in the extent to which facilities are being used. The Compensatory Financing Facility, which is supposed to help deal with temporary external shocks, has fallen into disuse. Meanwhile extended arrangements that were popular at the end of the 1990s have been used infrequently in subsequent years.

To the extent that it has taken place, discussion of the structure of IMF lending windows has focused on qualitative analysis of their *raison d’être*. In this paper, and as far as the data allow, we adopt a more quantitative approach. In particular we focus on the extent to which the economic circumstances in which countries sign extended and concessionary arrangements differ from those in which they sign conventional

stand-bys. On this basis we claim that there is a strong case for discontinuing the EFF in its current form. To return to our title, it should be ‘curtains’ for the EFF. But we also claim that empirical evidence supports the continuation of the PRGF; perhaps reformed to be in part financed from GRA resources and available without subsidy to middle income countries. We furthermore argue that there are analytical grounds for re-energising the Fund’s facility for dealing with external shocks emanating both from the current and capital account. Undoubtedly there will be institutional problems and resistance to overcome in putting these ideas into effect. Even so, the array of IMF lending windows may be more susceptible to reform than many of the other issues involved in IMF structure and governance.

Table 1. IMF Arrangements in Effect as of April 30, 1995-2004

| Financial Year | Number of Arrangements as of April 30 | | | | | Amounts Committed Under Arrangements as of April 30 (in millions of SDRs) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stand-by | EFF | SAF | PRGF | Total | Stand-by | EFF | SAF | PRGF | Total |
| 1995 | 19 | 9 | 1 | 27 | 56 | 13,190 | 6,840 | 49 | 3,306 | 23,385 |
| 1996 | 21 | 7 | 1 | 28 | 57 | 14,963 | 9,390 | 182 | 3,383 | 27,918 |
| 1997 | 14 | 11 | - | 35 | 60 | 3,764 | 10,184 | - | 4,048 | 17,996 |
| 1998 | 14 | 13 | - | 33 | 60 | 28,323 | 12,336 | - | 4,410 | 45,069 |
| 1999 | 9 | 12 | - | 35 | 56 | 32,747 | 11,401 | - | 4,186 | 48,334 |
| 2000 | 16 | 11 | - | 31 | 58 | 45,606 | 9,798 | - | 3,516 | 58,920 |
| 2001 | 17 | 8 | - | 37 | 62 | 34,906 | 8,697 | - | 3,298 | 46,901 |
| 2002 | 13 | 4 | - | 35 | 52 | 44,095 | 7,643 | - | 4,201 | 55,939 |
| 2003 | 15 | 3 | - | 36 | 54 | 42,807 | 4,432 | - | 4,450 | 51,689 |
| 2004 | 11 | 2 | - | 36 | 49 | 53,944 | 794 | - | 4,356 | 59,094 |

Source: IMF Annual Report, 2004

Table 2. Outstanding IMF Credit by Facility and Policy, Financial Years Ended April 30, 1995-2004
(In millions of SDRs and percent of total)

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| | (in millions of SDRs) | | | | | | | | | |
| Stand-By Arrangements[1] | 15,117 | 20,700 | 18,064 | 25,526 | 21,213 | 21,410 | 17,101 | 28,612 | 32,241 | 42,070 |
| Extended Arrangements | 10,155 | 9,982 | 11,155 | 12,521 | 16,574 | 16,808 | 16,108 | 15,538 | 14,981 | 13,783 |
| Supplemental Reserve Facility | - | - | - | 7,100 | 12,655 | - | 4,085 | 5,875 | 15,700 | 6,027 |
| Compensatory Financing Facility | 3,021 | 1,602 | 1,336 | 685 | 2,845 | 3,032 | 2,992 | 745 | 412 | 119 |
| Systemic Transformation Facility | 3,848 | 3,984 | 3,984 | 3,869 | 3,364 | 2,718 | 1,933 | 1,311 | 644 | 154 |
| **Subtotal (General Resources Account)** | **32,140** | **32,268** | **34,539** | **49,701** | **60,651** | **43,968** | **42,219** | **52,081** | **65,978** | **62,153** |
| SAF Arrangements | 1,277 | 1,208 | 954 | 730 | 565 | 456 | 432 | 341 | 137 | 86 |
| PRGF Arrangements[2] | 3,318 | 4,469 | 4,904 | 5,505 | 5,870 | 5,857 | 5,951 | 6,188 | 6,676 | 6,703 |
| Trust Fund | 102 | 95 | 90 | 90 | 89 | 89 | 89 | 89 | 89 | 89 |
| **Total** | **36,837** | **42,040** | **40,488** | **56,026** | **67,175** | **50,370** | **48,691** | **58,699** | **72,879** | **69,031** |
| | (Percent of total) | | | | | | | | | |
| Stand-By Arrangements[1] | 41 | 49 | 45 | 46 | 38 | 43 | 35 | 49 | 47 | 61 |
| Extended Arrangements | 28 | 24 | 28 | 22 | 25 | 33 | 33 | 26 | 21 | 20 |
| Supplemental Reserve Facility | - | - | - | 13 | 19 | - | 9 | 10 | 21 | 9 |
| Compensatory Financing Facility | 8 | 4 | 3 | 1 | 4 | 6 | 6 | 1 | 1 | -[3] |
| Systemic Transformation Facility | 10 | 9 | 10 | 7 | 5 | 5 | 4 | 2 | 1 | -[3] |
| **Subtotal (General Resources Account)** | **87** | **86** | **85** | **89** | **90** | **87** | **87** | **88** | **91** | **90** |
| SAF Arrangements | 3 | 3 | 2 | 1 | 1 | 1 | 1 | 1 | -[3] | -[3] |
| PRGF Arrangements[2] | 9 | 11 | 12 | 10 | 9 | 12 | 12 | 11 | 9 | 10 |
| Trust Fund | -[3] | -[3] | -[3] | -[3] | -[3] | -[3] | -[3] | -[3] | -[3] | -[3] |
| **Total** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** |

[1]Includes outstanding credit tranche and emergency purchases
[2]Includes outstanding associated loans from the Saudi Fund for Development
[3]Less than one-half of 1 percent of total
Source: IMF Annual Report, 2004

Table 3: Multinomial Logit results for explaining EFF agreements relative to SBA agreements, given that countries signed a conditional IMF agreement.

| Explanatory variable | Estimated coefficient | Normal test statistic |
|---|---|---|
| Constant | -0.887 | -0.98 |
| GNP per capita | 0.0000355 | 0.33 |
| GDP growth | 0.0560 | 1.6 |
| Long-term growth | -0.0757 | -1.03 |
| Inflation | -0.00159 | -1.06 |
| Long-term inflation | 0.00151 | 1.37 |
| Reserve-to-import ratio | 0.372 | 0.4 |
| % change in reserves-to-imports | 0.000129 | 0.11 |
| Current Account Balance/GDP | 5.42 | 0.68 |
| Long-term current account balance | -12.5 | -1.18 |
| % change in the current account | 0.00143 | 1.38 |
| Real exchange rate depreciation | -0.00383 | -0.49 |
| Debt service-to-exports ratio | -0.660 | -0.58 |
| % change in the debt-service ratio | -0.000280 | -0.62 |
| Public external debt –to-GDP ratio | -1.09 | -1.91 |
| Current rescheduling | 1.94 | 1.83 |
| Reschedulings in past years | 0.0292 | 0.09 |
| Rescheduling required next year | -0.0803 | -0.14 |
| Past IMF agreements | -0.971** | -2.51 |
| Exchange rate regime | 0.0772 | 0.12 |
| Square of the exchange rate regime | -0.0205 | -0.2 |
| Number of observations | 305 | |
| Pseudo-R squared | 0.3837 | |
| Log pseudo-likelihood | -157.97 | |

***, **, * refer to statistical significance at the 1%, 2% and 5% levels for two-tailed tests, respectively.

Table 4: Multinomial Logit results for explaining concessional (SAF/ESAF/PRGF) agreements relative to SBA agreements, given that countries signed a conditional IMF agreement.

| Explanatory variable | Estimated coefficient | Normal test statistic |
|---|---|---|
| Constant | 1.54 | 0.8 |
| GNP per capita | -0.00620*** | -4.01 |
| GDP growth | 0.02018 | 0.39 |
| Long-term growth | 0.250** | 2.4 |
| Inflation | -0.00419*** | -4.08 |
| Long-term inflation | 0.00302*** | 2.89 |
| Reserve-to-import ratio | 0.185 | 0.11 |
| % change in reserves-to-imports | 0.00832 | 1.27 |
| Current Account Balance/GDP | -1.77 | -0.23 |
| Long-term current account balance | -10.1 | -1.36 |
| % change in the current account | 0.00132 | 0.88 |
| Real exchange rate depreciation | -0.0119 | -0.88 |
| Debt service-to-exports ratio | -2.50 | -0.92 |
| % change in the debt-service ratio | 0.000643 | 1.45 |
| Public external debt –to-GDP ratio | 1.08 | 1.47 |
| Current rescheduling | -1.22 | -0.76 |
| Reschedulings in past years | 1.25* | 2.12 |
| Rescheduling required next year | 1.05 | 1.38 |
| Past IMF agreements | -0.613 | -0.94 |
| Exchange rate regime | -0.303 | -0.32 |
| Square of the exchange rate regime | 0.0637 | 0.4 |
| Number of observations | 305 | |
| Pseudo-R squared | 0.3837 | |
| Log pseudo-likelihood | -157.97 | |

***, **, * refer to statistical significance at the 1%, 2% and 5% levels for two-tailed tests, respectively.

## Appendix : Data definitions and sources.

'Signing of an IMF agreement in the following year'. An indicator variable with the values "1", "2" and "3" if a country signed, respectively, a standby, EFF, or SAF/ESAF/PRGF agreement in the following year. Source: IMF, *Annual report*, various years.

'GNP per capita'. GNI per capita in thousands of $U.S., Atlas method (World Bank, *World Development Indicator*) deflated by U.S. consumer price index (IMF: *IMF Financial Statistics*).

'GDP growth'. Percentage change in GDP from the previous year (annual %). Source: World Bank, *World Development Indicators.*

'Long-term growth'. Average annual GDP growth rate for the previous five years. Source: World Bank, *World Development Indicators.*

'Inflation'. Average annual percentage increase in the consumer price index. Source: World Bank, *World Development Indicators.*

'Long-term inflation'. Average annual inflation rate for the previous five years. Source: World Bank, *World Development Indicators.*

'Reserves-to-imports'. Total foreign reserves divided by total imports of goods and services (both in current $US). Source: World Bank, *Global Development Indicators*.

'% change in reserves-to-imports'. The percentage change in the reserves-to-import ratio from the previous year to the current year, as a proportion of the previous year.

'Current Account Balannce/GDP'. The current account balance divided by total GDP (both in current $US). Source: World Bank, *Global Development Indicators*.

'Long-term current account balance'. The average annual current account balance-to-GDP ratio for the previous five years.

'% change in the current account'. The percentage change in the current account balance from the previous year to the current year, expressed as a percentage of the previous year.
Source: World Bank, *Global Development Indicators*.

'Real exchange rate depreciation'. The official number of domestic currency units per $U.S. multiplied by the ratio of the U.S. consumer price index to the country's consumer price index. This number is calculated for the current year and for three years previously (adjusting for changes in base years) and the difference between the two is expressed as a proportion of the value from three years before. Source: World Bank, *World Development Indicators*.

'Debt-service ratio'. Total long-term debt service payments divided by total exports of goods and services (all in U.S. dollars). Source: World Bank, *World Development Indicators*.

‘% change in the debt-service-ratio’. The percentage change in the total debt service payments-to- exports ratio from the previous year to the current year, expressed as a percentage of the previous year.

‘Public external debt-to-GDP ratio’. The ratio of public and publicly guaranteed long-term debt expressed as a ratio of total GDP. Source: World Bank, *World Development Indicators*.

‘Current rescheduling’. A binary indicator of whether or not the country had to reschedule some portion of its debt (principal or interest, official or private) in the current year, which requires by convention an IMF agreement to be in place. Source: World Bank, *Global Development Finance*.

‘Reschedulings in past years’. The number of years out of the previous two years in which a country rescheduled some portion of its official or private interest or principal repayments. Source: World Bank, *Global Development Finance*.

‘Rescheduling required next year’. A binary indicator of whether or not the country is about to reschedule some portion of its debt (principal or interest, official or private) in the following year, which requires by convention an IMF agreement to be in place. Source: World Bank, *Global Development Finance*.

‘Past IMF agreements’. A binary variable indicating whether an IMF arrangement has been in place for the country in any of the previous two years. Source: IMF, *IMF Annual Report* various years.

‘Exchange rate regime’. The numerical category of exchange rate regime, on a scale from 1 to 5 moving from the least flexible to the most flexible. A sixth category was for unclassified regimes. Source: Reinhart and Rogoff (2004).

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