Chapter VIII

International Monetary Fund (IMF)

During 2002, the International Monetary Fund (IMF) continued to work on the reform of the international monetary system and to focus on its core responsibilities, including helping to prevent financial crises among its members and assisting in the global fight against poverty. Despite increased demands on the Fund brought on by a weak international economy, which was further affected by the 11 September 2001 terrorist attacks in the United States, IMF continued to implement the strategy for poverty reduction and growth facility (PRGF) for its low-income developing countries and to assist the heavily indebted poor countries (HIPCs) through debt relief. IMF also examined its role in promoting an open trading system, trade liberalization and the need to cooperate closely with the World Trade Organization and the World Bank. In addition, it continued to contribute to international efforts to combat money-laundering.

During fiscal 2002 (1 May 2001–30 April 2002), IMF membership remained at 183.

IMF facilities and policies

In fiscal 2002, IMF continued to update its lending policies and policy conditionality—the conditions it attached to its financial assistance to ensure that it was repaid and that external viability, financial stability and sustainable economic growth were restored in the borrowing member country—to ensure that they met member country needs. It completed its review of access policy in the credit tranches and under the Extended Fund Facility. Having considered both the limits on access and the criteria used to determine access, the Board decided to maintain current annual and cumulative access limits through the end of 2002, but agreed to a later review of the policy involving high access to resources.

During the year, discussions continued on a range of issues relating to resolving financial crises and the role of the private sector. In April, a plan to work on crisis resolution outlined a four-point programme designed to increase IMF capacity to assess a country’s debt sustainability; clarify the policy on access to IMF resources; strengthen available tools for securing private sector involvement in resolving financial crises; and examine a more orderly and transparent legal framework for sovereign debt restructuring.

A review of the poverty reduction strategy paper process emphasized the need to build on progress in several areas, including designing policies to foster pro-poor economic growth, improve the quality and efficiency of government spending, coordinate programme design with the World Bank, and enhance communication with authorities, donors and civil society in PRGF countries.

Financial assistance


IMF approved nine new standby arrangements totalling SDR 26.7 billion, and commitments to Argentina and Turkey under standby arrangements already in place were augmented by SDR 12.7 billion. Drawings under PRGF amounted to SDR 1 billion compared with SDR 0.6 billion in fiscal 2001. IMF also committed SDR 1.6 billion in HIPC Initiative grants to 27 countries, of which SDR 0.7 billion had been disbursed.

As at April 2002, 26 standby arrangements, 8 extended arrangements and 35 PRGF arrangements were in effect with members, while outstanding IMF credit amounted to SDR 58.7 billion, compared with SDR 48.7 billion a year earlier.

Liquidity

As at 30 April, IMF’s usable resources totalled SDR 103.9 million, a decrease from SDR 112.1 million in fiscal 2001. Net uncommitted usable resources totalled SDR 64.7 billion at the end of fiscal 2002, compared with SDR 78.7 in fiscal 2001.

The Fund’s liquid liabilities totalled SDR 55.3 billion, compared with SDR 46.7 billion a year earlier, while the ratio of the Fund’s net uncommitted resources to its liabilities decreased to 1.17 per cent at the end of April 2002, from 1.68.4 per cent a year earlier.

SDR activity

In fiscal 2002, total transfers of SDRs declined to SDR 14 billion from SDR 18.7 billion in fiscal 2001.
Transfers of SDRs among participants and prescribed holders fell to SDR 5.1 billion in 2002 from SDR 6.8 billion a year earlier. Transfers from participants to the general resources account (GRA) declined further to SDR 4 billion from SDR 5.8 billion in fiscal 2001, attributable to the fact that no quota payments were received. Drawings from IMF in SDRs continued to decrease to SDR 2.4 billion from SDR 3.2 billion in fiscal 2001, representing the largest category of transfers from the GRA, followed by remuneration payments of SDR 1.4 billion to members with creditor positions.

IMF holdings of SDRs in the GRA declined to SDR 1.5 billion in fiscal 2002, from SDR 2.4 billion a year earlier, while SDRs held by prescribed holders increased by SDR 0.4 billion. SDR holdings by participants increased to SDR 19.6 billion from SDR 18.6 billion in fiscal 2001. SDR holdings of industrial countries and net creditor countries relative to their net cumulative allocation increased mainly due to large interest (remuneration) payments made to those members. SDR holdings of non-industrial members increased to 56.9 per cent of their net cumulative allocations from 54.6 per cent a year earlier.

Policy on arrears
As at 30 April 2002, obligations to IMF increased to SDR 2.36 billion from SDR 2.24 billion a year earlier. More than 97 per cent of the total arrears were protracted (outstanding for more than six months) and almost 90 per cent were to the GRA. The five countries with the largest protracted arrears—the Democratic Republic of the Congo (DRC), Liberia, Somalia, the Sudan and Zimbabwe—were ineligible to use IMF’s general resources and the DRC’s voting rights remained suspended. The application of remedial measures had been delayed or suspended in some countries (Afghanistan, Iraq, Somalia) because of civil conflicts, the absence of a functioning Government or international sanctions.

Technical assistance and training
In fiscal 2002, as demand for technical assistance continued, IMF joined Canada, Switzerland, the United Kingdom, and the World Bank in launching the Financial Sector Reform and Strengthening Initiative, which would provide a mechanism for coordinating and mobilizing additional financing for technical assistance. IMF was also engaged with the World Bank, the United Nations, the Financial Action Task Force and the Egmont Group in working out how best to coordinate, mobilize and finance technical assistance efforts in combating money-laundering and the financing of terrorism. During the year, IMF’s Caribbean Regional Technical Assistance Center was established in Barbados to help the Caribbean Community and the Dominican Republic strengthen economic and fiscal management.

The IMF Institute continued to expand its training in different parts of the world, delivering 177 courses and seminars to some 3,794 officials. The number of training activities at the regional programmes rose to 80 in fiscal 2002, from 67 the year before. New technology applications contributed to the expansion of training through distance-learning courses.

Secretariat
As at 31 December 2002, IMF employed 2,681 staff members, of whom 1,918 were Professional staff and 763 assistant staff.

Budget
The Fund’s administrative budget for fiscal 2002 was approved at $736.9 million ($695.4 million, net of estimated reimbursements). The approved capital budget of $40 million included $14.8 million for building facility projects, $15.4 million for information technology projects and $9.8 million for major software development. Actual administrative expenses during the fiscal year totalled $721.3 million ($676.7 million, net of reimbursements) and capital project disbursements totalled $61.5 million.

NOTE: For further details of IMF activities, see International Monetary Fund Annual Report 2002, published by the Fund.