

Box A: Financing Activities of the International Monetary Fund

One of the key functions of the IMF is to provide financial assistance to member countries experiencing balance of payments difficulties. This role has been prominent over the past year as a result of the large-scale assistance provided to Thailand, Indonesia and Korea. The attention given to these support packages has tended to obscure the fact that financing of this sort is an ongoing function of the IMF – many facilities, both large and small, are offered during the course of an average year. A broad overview of these activities is provided below in order to place the recent Asian facilities in perspective.

IMF financing facilities

Reflecting the varied nature of circumstances and problems facing its 182 member countries, the IMF has a number of different facilities available for dealing with balance of payments needs. Each differs in terms of the size of the facility, the period over which it can be drawn upon, and the repayment period once drawn. The main facilities are: Stand-by Arrangements, Extended Fund Facilities, and the newly created Supplemental Reserve Facility.

Stand-by Arrangements and Extended Fund Facilities are used for overcoming

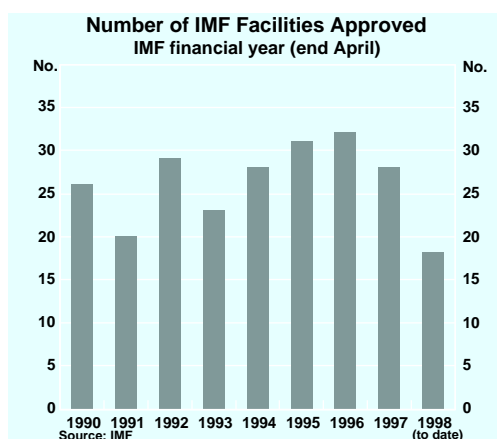
balance of payments difficulties stemming from short and longer term problems, respectively. The Supplemental Reserve Facility was introduced late last year and is aimed at addressing situations where a country is facing large short-term capital outflows, in particular where such outflows have the potential to trigger contagion. It provides short-term funding in excess of that available under other facilities, but at a higher rate of interest.

In addition to the Fund's regular facilities, there are a number of special facilities available for countries facing particular circumstances, such as temporary shortfalls in export earnings, and concessional facilities for low-income member countries facing protracted balance of payments problems.

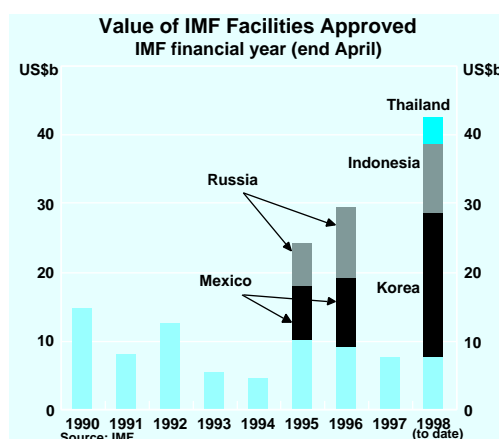
The composition of IMF financial assistance

Graph A1 shows the number of financing facilities *approved* by the Fund each year. They have generally fluctuated between 20 and 30 per annum in this decade. In the past year, the number of new facilities has been smaller than this, but the size of those facilities has been large by historical standards, with the result that the overall

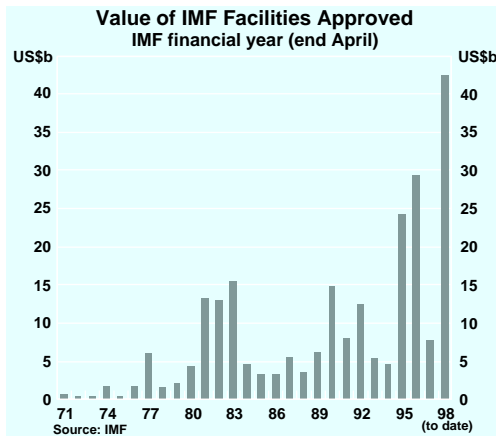
Graph A1



Graph A2



Graph A3

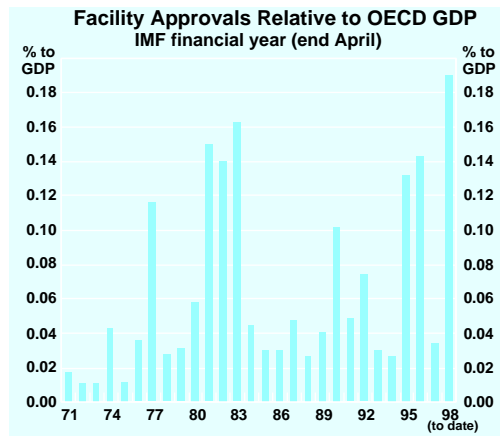


value of new IMF commitments has been the largest ever, at around US\$40 billion (Graph A2). Approvals in 1995 and 1996 were also quite high, largely because of the very large size of the facilities provided to Mexico and Russia.

It should be noted that the IMF has not been the only contributor to the support packages for these countries; other international bodies and individual countries contributed around US\$30 billion to the 1995 Mexican package and have signed up for US\$13 billion to the Thai package, US\$37 billion for the Korean package and US\$25 billion for the Indonesian package. Not all this has been drawn, and some of the bilateral funds promised may never be drawn. Details of the various packages are shown in Table A1.

Graphs A3 and A4 place the events of the past couple of years in a longer historical context. While the past few years clearly stand out, so do the early 1980s. In fact, if scaled against developed world GDP, assistance provided directly by the IMF in the early 1980s was similar to the recent period. The latter part of the surge in Fund commitments in the early 1980s reflects the Latin American debt crisis, while the earlier years reflect facilities for a wide range of countries, particularly India, Yugoslavia, Turkey and Pakistan.

Graph A4



A point of interest is that the Asian crisis has resulted in an historic shift in the geographical focus of IMF assistance. As Graph A5 shows, 1997 marks the first year in which Asia has drawn substantially on Fund resources. Traditionally, the Americas and Europe have been the main users of Fund resources, with Europe's share increasing steadily over the course of the 1990s following the collapse of communism in Eastern Europe. Asia made a modest call on funds in the early 1990s, largely through India, Pakistan and the Philippines. √

Graph A5

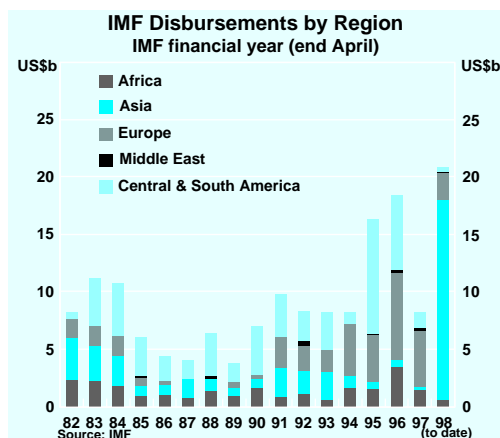


Table A1: Details of International Financing Packages

Borrower	Donor	Amount (US\$Bn)	Borrower	Donor	Amount (US\$Bn)	
Mexico (Feb 95)	IMF	17.8 ^(a)	Indonesia (Nov 97)	IMF	10.1	
	United States	20		World Bank	4.5	
	BIS/G10+Spain	10		ADB	3.5	
	Canada	1		Japan	5	
	Argentina	}		Singapore	5	
	Brazil			1	United States	3
	Colombia			1	Australia	1
	Total	49.8		China	1	
		Hong Kong		1		
		Malaysia		1		
		Total	35.1			
Thailand (Aug 97)	IMF	3.9	Korea (Dec 97)	IMF	21	
	World Bank	1.5		World Bank	10	
	ADB	1.2		ADB	4	
	Japan	4		Japan	10	
	Australia	1		United States	5	
	China	1		France	1.25	
	Hong Kong	1		Germany	1.25	
	Malaysia	1		Italy	1.25	
	Singapore	1		United Kingdom	1.25	
	Brunei Darussalam	0.5		Australia	1	
	Indonesia	0.5		Canada	1	
	Korea	0.5		Belgium	}	
	Total	17.1		Netherlands		1.25
		Sweden				
		Switzerland				
		New Zealand	0.1			
		Total	58.4			

(a) US\$7.8 billion was committed in the IMF's 1995 financial year and a further US\$10 billion in the 1996 financial year.