

IMF Conditionality and Low Income Countries

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I am extremely grateful for the honour you have conferred on me by inviting me this year to deliver the Kale Memorial Lecture. At the same time, I must confess that I feel rather inadequate, looking at the list of the illustrious scholars who delivered this lecture in the past. You will please forgive me if I do not come up to the standards set by my predecessors.

I have chosen to speak on IMF conditionality and Low Income Countries for two principal reasons. Firstly, the subject fits in with my current research in connection with my Fellowship of the Indian Council of Social Science Research. Secondly, it is a subject of topical concern to us in this country, having gone in for a borrowing arrangement of sizeable proportions with the International Monetary Fund.

Under the arrangement which came into effect in November 1981, India is entitled to borrow or draw SDR 5 billion over the next three years in phased amounts in support of what is referred to as an "agreed adjustment programme" aimed at strengthening the country's balance of payments position. Under the arrangement, the drawings can be made every quarter. Each phased quarterly drawing is tied to, or conditioned upon, the satisfactory completion of a Fund review of the progress made by the country in the adjustment programme. If and when the country's performance is not found satisfactory the Fund is entitled to suspend the arrangement and withhold any further release of drawings to the country, till such time as a revised adjustment programme is worked out to the satisfaction of the Fund.

* Text of R.R. Kale Memorial Lecture delivered at the Gokhale Institute of Politics and Economics, Pune, on May 29, 1982.