

IMF Conditionality and Low Income Countries

I. S. GULATI

GALE MEMORIAL LECTURE, 1982

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**Gokhale Institute of Politics and Economics,
Pune 411 004**

The R.B.R.R. Kale Memorial Lecture 1982 was delivered by Professor I.S. Gulati on 29th May 1982 at the Institute. The subject of the lecture was *IMF Conditionality*.

Prof. I.S. Gulati is currently a Fellow of the Indian Council of Social Science Research working at the Centre for Development Studies, Trivandrum. He obtained the Ph.D. degree in Economics from the University of London in 1955, and was a Professor at M.S. University of Baroda till 1968. He worked as U.N. Regional Economic Adviser in the Carribean during 1968-71, and as the IMF Consultant to the Government of Mauritius in 1972. He joined the Centre for Development Studies at Trivandrum, as Fellow in 1972 and continued there till 1980 when he accepted a Fellowship of the ICSSR. During the period 1972-73 he also worked as a Member of the Sixth Finance Commission. During 1974-1976 he worked as Chairman of the Kerala State Committee on Commodity Taxation, and was Chairman of the Mysore Taxation Enquiry Committee during 1980-82. He was U.G.C. National Lecturer in Economics during 1976-77 and delivered the R.C. Dutt Memorial Lecture during 1978-79.

Dr. Gulati has a large number of articles in professional economic journals. Some of his important publications are: *Capital Taxation in Developing Economy (India)* (1957); *Resource Prospects for the Third Five Year Plan* (1959); *The Undivided Hindu Family: Its Tax Privileges* (jointly with Kuldeep Gulati) (1962); *Centre-State Commercial Relations* (1979); and *International Monetary Development and the Third World* (1980).

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I. S. Gulati

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.

It is not my intention, this afternoon, to go into the question whether or not India ought to have entered the above arrangement with the Fund. Having entered into the arrangement, we shall probably have to live through it, though even there we have to be vigilant and careful about the various quantitative targets and unquantified specific measures of economic policy that the Government agrees to in the second and third years of the aforementioned adjustment programme. Vigilance is all the more necessary because of the known tendency on the part of our Government to disclose as little as possible of the details of the arrangements entered into with the Fund.

What I propose to concentrate upon this afternoon, is the general question of IMF conditionality in the context of the balance of payments financing needs of low income developing countries. Following the International Monetary Fund, low income countries are countries with per capita GNP of \$300 or less in 1977. Thirty-nine (39) countries, including India, comprise this group.

Why only low income countries?

The justification for my concentrating on this group of countries derives partly, no doubt, from the fact that India belongs to this group. More generally, growth rates in this group have been low and balance of payments strains in particular have been most evident in recent years (see Table I). In fact, current account deficits of the countries in this group, with the notable exception of India, have been exceptionally high in recent years. India's balance of payments position came under strain only from 1979-80 with the second round of drastic rise in oil price and a further upsurge of protectionism in the industrial countries. It is noteworthy that though these low income countries have incurred heavy external deficits in recent years, their volume of imports has hardly registered much increase. Thus, the aggregate volume of imports obtained by this group of countries in 1979 was only about 5 per cent larger than in 1973. If India's imports are excluded, the import gains of the other low income countries over the period turn out to be even smaller.

The large current account payments deficits have had to be increasingly financed by external, official sources of financing, which in recent years are estimated to have covered almost a third of their imports. In 1979, that proportion was almost twice as high as the average for all non-oil developing countries. Conversely, as the IMF Annual Report for 1980 observes, the role of private long term capital with respect to low income countries has been relatively very small. According to the World Bank's calculations, while the net flow of private capital to this group of countries was almost the same in 1980 as in 1970 (calculated in 1978 dollars), for middle income non-oil developing countries the increase over the period was of the order of over 250 per cent. The increase experienced by the latter was almost

entirely in the form of commercial loans from which the former have remained virtually excluded.

At the same time, even in the flow of official funds, low income countries have not been receiving their due share. According to the World Bank's calculations, in 1979, these countries with 55 per cent of the population of the developing countries received only 37 per cent of official development assistance. Their receipts per capita of \$6.80 were less than half of those of the middle income non-oil developing countries. If aid through the multilateral institutions is excluded, only 32 per cent of the bilateral aid went to low income countries.

It is in the above context that the role of Fund assistance has to be viewed as far as low income countries are concerned. Though as we noted above, their import gains in recent years have been negligible, their external deficits have risen phenomenally, even when allowance is made for the fact that some, though not all, of the countries in the group did benefit from the export of their labour to oil exporting countries and the corresponding inflow of remittances. As these countries can borrow very little commercially (this, one can say, even after taking note that India is still considered as having reasonably good prospects of contracting commercial loans in the near future), they will continue to depend heavily on official flow of funds. As noted above, aid through multilateral institutions has tended partly to offset the biases against low income countries; it is only natural then that low income countries should feel particularly concerned when the flow of funds through the multilateral institutions shows signs that it will grow at a slower pace than before and/or become more stringent.

The manner in which the IDA VI replenishment has been slowed down, due principally to the U.S. backtracking on its original commitments, is a clear case of the first type. The IMF's current response of offering principally high conditionality funds to cover payments deficits that have surged in the wake of the second round of oil price rise represents a case of the second type. This afternoon, we shall be concerned with the latter.

There is also a third consideration why while discussing Fund conditionality we should, I feel, have primarily low-income countries in mind and this derives from the actual state of things. In the good old days the Fund met the financial needs of both the industrial and developing countries; now practically all of Fund credit goes to the developing countries. Not only that, of the IMF commitments pledged by the end of 1981 two-thirds were accounted for by countries with annual per capita income of less than \$700 and one-half by those with per capita income of less than \$300 (see Table II). Even in the future Fund credit will most likely be channeled to low-income countries if, as in recent past, industrial countries and the more advanced

developing countries rely increasingly on the private capital market because so long as they enjoy that access, they would rather avoid signing up for conditional Fund assistance.

What exactly is Fund conditionality?

A clear answer to this question is very necessary. First, let us see what Fund conditionality does not refer to. Fund finance is repayable (repurchase is the technical term for repayment just as purchase is the term used for borrowing of foreign exchange from the Fund) and carries interest charge; when however one speaks of Fund conditionality one is not referring to how Fund finance has to be repaid and what interest charge it carries. To put it in slightly different words, Fund conditionality does not refer to the maturity pattern and the interest cost of Fund lending. Changes have no doubt, occurred in both these regards in the past and will probably occur in the future.

The Fund has been much more forthcoming in recent years to lend amounts in higher multiples of members quotas (even though quotas themselves have been allowed to rise only very very tardily, judged in terms of the expansion in both the value of trade and the external imbalances) and to permit repayments in amounts thus lent to be spread over a period much longer than before. Earlier, the repayment period was set at between three to five years; now, it can be extended to between four to ten years. So clearly, the maturity spread of Fund loans has been lengthening in recent years. On the other hand, the interest charge levied by the Fund on its lending, has lately been on the rise as the proportion of its lending accounted for by its borrowings, as distinct from its ordinary resources has risen; the interest charged by the Fund on amounts lent out of its borrowings is based on the rate payable by the Fund itself on these borrowings and, as we know, this rate being linked to the on-going interest rates in the industrial countries, has risen enormously in the past few years. Thus while the average rate of charge on amounts lent out of Fund's ordinary sources was 6.25 per cent, the rate for the six-month period ending June 30, 1982 was as high as 14 per cent on amounts lent out of the Fund's supplementary financing facility. True, for low income countries a scheme of interest subsidy has been established since December 1980 but a country eligible for full 3 per cent interest subsidy would still have to pay as much as 11 per cent charge. Thus while the maturity spread of Fund lending to its member countries has become significantly longer in recent years, the interest charge has become distinctly higher, even when allowance is made for the interest subsidy to which low income countries are eligible; however these changes tell us little of the conditionality that attaches to Fund lending, because, as I said earlier, Fund conditionality does not cover the maturity pattern, and/or interest charge such lending carries. I should clarify also that often when a distinction is drawn, in Fund documents and other writings on the subject, between low and high Fund

conditionality, the reference is still *not* to the maturity pattern or interest charge which Fund lending carries.

Low and high conditionality

The distinction between low and high conditionality rests on the policy action that the Fund obliges the borrowing country to agree to as a precondition to its borrowings from the Fund. Thus, borrowings from the Fund out of one's reserve tranche can be made "without challenge" and drawings from the first tranche are allowed if the borrowing country has a balance of payments need and indicates its intention to take necessary corrective action. Further, borrowings from the compensatory and buffer stock financing facilities are allowed if the borrowing country undertakes to necessary correction measures, in co-operation with the Fund to rectify its payments imbalance. All these borrowings can be said to fall in the category of low conditionality borrowing. On the other hand, for borrowings under higher tranches and under extended arrangements a country is obliged to enter into arrangement with the Fund promising strong adjustment action according to an agreed, comprehensive programme of policy actions.

Table III summarises the position with respect to the type of conditionality that applies to the various forms of financing available to member countries. Table IV indicates the maximum limits that apply to each of the types of Fund finance. It is important to note that, firstly, the level of conditionality, as measured by the nature of commitment to economic policy changes, rises as a Fund member country seeks larger and larger assistance from the Fund and, secondly, since the revision of Fund quotas has not kept pace with the increase in the value of world trade and payments imbalances the trigger point for the switch over from low to high conditionality is, in real terms, reached much earlier for a borrowing country now than it did before. In this connection, it is relevant to note that the Fund quotas which together added up to some 15 per cent of the value of world trade in the mid-fifties are now just about four per cent of the value of world trade.

Recent accent on adjustment action

The present French Managing Director of the Fund, Mr. J. de Larosiere described the latest position with respect to Fund conditionality as follows in his address to the French-American Chamber of Commerce in Minneapolis (USA) on March 4, 1982: I quote:

"The expansion in the Fund's financial operations has been matched by a much greater emphasis on conditional financing. After the first wave of oil price increases, some two-thirds of Fund lending was made under special facilities not requiring important measures of adjustment. But conditions have changed and this policy has

been put to an end. Over the past two years, more than 80 per cent of the resources have been provided by the Fund to its members in support of programs involving rigorous adjustment policies."

The newly published Fund pamphlet on *Fund Conditionality: Evolution of Principles and Practices*, written by Manuel Guitian, a Fund staff member, emphasises that the linkage of Fund financial support and adjustment action by the borrowing member country is at the core of Fund conditionality. Its basic rationale, it is explained, is that external payments imbalances must be correct whenever they are not transitory or reversible. The provision of resources by the Fund extends the period of adjustment of corrective action, making the process less severe than otherwise. In thus linking its finance to adjustment action, the Fund claims to help members to attain, over the medium term, a viable payments position.

In order to complete the present picture on Fund conditionality, it ought to be added that after the first oil price hike more than three-fifths of Fund assistance provided through the specially created low conditionality oil facility was channelled to developed countries; recent Fund assistance under rigorous conditionality has, in Mr. de Larosiere's own words, "been going entirely to *developing countries - and often the poorer among them*". (Emphasis ours). As he elaborates in the course of his aforementioned address:

"These are the countries with the most severe payments problems. Also they have little, if any, access to commercial sources of finance. The financing needs of the industrial countries and many of the stronger developing countries, on the other hand, have been taken care of by means of recycling through the commercial markets."

It is obvious that the rigour of Fund conditionality has increased as the industrial countries and the stronger of the developing countries have become less dependent on Fund support for balance of payments finance. Though the Fund's Managing Director suggests, in the address quoted above, that the shift in emphasis from low conditionality to high conditionality between the two waves of oil price increases has been due to the change in conditions, he does not elaborate on what this change was and in which conditions. Could the fact that, unlike during the first wave, only the developing countries - and, that too the poorer among them - resorted to the Fund during the second wave, itself be one of the changed conditions that influenced the Fund decision to make its financing assistance subject to rigorous conditionality?

This leads us on to the next question namely whether the developing countries have needed to follow stronger adjustment programmes than the industrial countries with a view to restoring their balance of payments to a sustainable

level. In this context, it would be useful to distinguish between the situation of a country whose balance of payments difficulties stem largely from excess pressure of domestic demand and the situation where balance of payments problems are principally of external origin. The Fund's Annual Report for 1980 noted that the deterioration in the balance of payments of non-oil developing countries from 1978 to 1980 could be attributed some two-thirds to the adverse movement in terms of trade and almost one-third to the rise in the cost of their debt-servicing. In the years, 1974 and 1975, the balance of payments difficulties of the industrial as well as non-oil developing countries arose almost entirely from a sharp deterioration in terms of trade. Thus, in both 1975-75 and 1979-80, the balance of payments problems of all importing countries arose because of exogenous forces. But in 1974-75, the Fund advised countries with payments problems against adjustment action such as "deflationary demand policies, import restrictions and general resort to exchange rate depreciation" because it "would serve only to shift the payments problem from one oil importing country to another and to damage world trade and economic activity"; in 1980-81 and thereafter the Fund has stridently been calling for strong policies of restraining aggregate domestic demand and realistic exchange rate adjustment. In 1974-75, it was felt that countries with payments deficits should not be forced into immediate adjustment action even though there was no reason to believe that the factor behind the deficit, namely the oil price increase, was either temporary or reversible. However, in 1980-81 and 1981-82, the Fund was asking straightaway for rigorous adjustment action on precisely the ground that the balance of payments deterioration is not temporary and reversible. According to the recent Fund pamphlet, referred to above, central to the current Fund conditionality practice is the premise that the prevailing payments imbalances are structural and unlikely to be transitory, and therefore, not amenable to correction over a short period of time.

Cannot one ask, and quite pertinently, if this is not tantamount to a complete turnabout on the part of the Fund between 1974-75 and 1979-80, in regard to its stand as to the type of conditionality which should apply to its lending? This somersault, it would appear, has less to do with the change in the type of balance of payments difficulties experienced by countries as with the change in the type of borrowing countries themselves. If it was valid in 1974-75 that adjustment to the oil price rise cannot be achieved in any real and lasting sense over a short period of time, it is no less valid in the wake of the oil price rise in 1979-80. There has, however, been one major change. In 1974-75 there was considerable amount of uncertainty and apprehension about the capacity of the international financial system to cope with and recycle the surplus funds that would accrue to the oil exporting countries for meeting the payments deficits of the oil importing countries. In 1980-81, on the other hand, there was a considerable measure of con-

confidence in the ability of the international financial institutions and markets. The Fund Annual Report for 1980 did not envisage that the industrial countries as a group would encounter any particular difficulty in financing their collective current account deficits even though the deficits of these countries absorbed "the bulk of the current account shift engendered by the rising surplus of the 12 oil exporting countries". Concern was felt however with respect to the adequate recycling of funds to the smaller industrial countries and the non-oil developing countries. Also, though a major share of market lending to the non-oil developing countries had been concentrated in a very small number of countries, even their access to market finance might, it was feared, be more difficult than in the past. In addition, recent assessments of the world economic scene forecast drastic reduction in the payments deficits of the industrial countries but *not* of the non-oil developing countries.

Here, it would be quite relevant to point out that for the non-oil developing countries, the situation with respect to availability of external finance is likely to be more difficult now than in 1974-75 for two reasons: firstly, commercial lending to even those very few developing countries which had access to it earlier may be less forthcoming hereafter because of the mounting concern among commercial banks about the risks of lending to the developing countries and the tightening of regulations covering the credit markets in industrial countries; secondly, the major channel of external finance for low income countries, namely official sources of finance, seems to be shrinking lately. In the circumstances, should not the Fund, as also other multilateral financial institutions, be considering an adequate increase in its financing to the developing countries and that too on terms and conditions which are, at least, not more onerous than those enforced in 1974-75? On the other hand, what actually has happened is that the countries borrowing from the Fund are now being put under pressure to undertake strong, comprehensive adjustment action under programmes phased over a short period of between one to three years, depending upon the period covered by the stand by arrangement a country enters into with the Fund. This, reflects a major change in the Fund's approach to payments imbalances between 1974-75 and 1979-80. Earlier, the Fund discouraged member countries from individually taking on the responsibility of rectifying their imbalances by a resort to demand restraining and other measures. Now when it appears reasonably certain that the industrial countries can manage to meet their imbalances through market finance, the Fund urges the developing countries which are driven to seeking assistance from institutions like the Fund and the World Bank to undertake the full responsibility of rectifying their individual payments imbalances even though these imbalances have arisen for reasons almost entirely beyond their control.

Programme content

I have referred to the requirements usually insisted upon as part of any Fund designed programme to restrain domestic demand and to adjust exchange rate. Demand management, through appropriate fiscal and monetary policies is, as the Fund Managing Director puts it, still "at the heart of Fund programmes" even though Fund assistance is increasingly being made available, for achieving structural adjustments. Thus practically all Fund programmes, including the most recent ones, and that includes the programme designed for India, lay down limits not only for the overall expansion of domestic credit but also for the extension of credit to the government sector. In fact, as we know from the documents on India, which were disclosed to the public as a result of the enterprise of one of our own newspaper correspondents, the credit limits are set, and monitored, for every quarter.

Apart from the general point about requiring borrowing countries to restrain domestic demand regardless of the origin of balance of payments difficulties they experienced, one could raise, at least four additional objections to the use of quantitative, pinpoint monetary targets. Firstly, available evidence does not justify the faith the Fund seems to repose in the restriction of domestic credit for the control of domestic demand. Studies by Fund's own staff have, for instance, shown how the velocity of circulation of money does not remain steady when domestic credit is manipulated for policy purposes. Secondly, as Sidney Dell points out in his recent pamphlet on *The Evolution of Fund Conditionality*, even if the Fund programmes indicate readiness to modify targets to take account of new developments or incorrect assumptions, frequently this cannot be done until after the mistaken targets have done their damage. Thirdly, as I.G. Patel, the Governor of Reserve Bank of India asks very pertinently in a recent address he gave at Kuala Lumpur before the Association of Banks in Malaysia, is it appropriate to insist on quarterly credit ceilings when everyone knows how much noise there is in quarterly data and then to take the extreme step of suspending loan disbursements when these quarterly ceilings are somewhat transgressed? Fourthly, this threat to suspend disbursements introduces a strong element of uncertainty about the availability of Fund assistance even after all the motions of a stand by or extended arrangement have been gone through with the Fund.

As regards exchange rate adjustment, there is always the basic question, of which we, as economists, are fully aware, about the response of trade flows to exchange rate changes, especially when one has in mind countries whose exports consist mainly of primary products. The Fund view that the correction of a given imbalance is likely to require a less strict domestic policy stance when a currency devaluation is part of the adjustment strategy obviously rests on the assessment that the external imbalance is primarily self-generated

and that trade flows are sufficiently responsive to exchange rate change, an assessment that need not be valid for all situations and countries and is certainly not valid to the situation currently faced by several, if not all, low income developing countries. To the extent trade flows are not responsive to relative prices, currency devaluation only aggravates the balance of payments imbalance and increases domestic inflation.

As we have seen already, in recent years, particularly after the renewed pressures from the second round of oil price rise compounded the difficulties of many countries, the Fund's response has been to ask for stronger and more comprehensive adjustment programmes. While broad demand management policies and realignment of exchange rate are still considered necessary, the Fund programmes now require that attention be given to "complementary measures aimed directly at an efficient utilisation of resources to strengthen an economy's productive base". The recent Fund pamphlet, on the subject, elaborates in this connection that longer adjustment periods envisaged in the new Fund programs reduce the number of economic variables that can be considered exogenous for purposes of policy formulations. In simple language, there is no aspect of economic policy that cannot come within the ambit of a Fund-designed adjustment programme. The Fund's conditionality tentacles can, and do, try to reach a much broader canvas than ever before.

We, in India, ought to know how wide ranging and pervasive Fund conditionality can now be. The Indian Government's Memorandum submitted to the Fund on the eve of the Fund sanction covers understandings on not only Expansion of Domestic Credit and Extension of Credit to the Public Sector but also Plan Allocations, Agricultural Development Strategy, Focus of Public Sector Programmes, Public Sector Pricing, Policy towards Private Sector's Import of Foreign Technology and Capital, Energy Policy, Resource Mobilisation, Export Policy, Import Liberalization and External Borrowing. Can we say, on the basis of our experience, though it is limited to just the first year, under the Fund-sponsored adjustment programme, that the Fund, as enjoined by its own *Guidelines on Conditionality*, limits itself to broad macro-economic policy instruments and does not become involved at a much more detailed level in the economic policy making of the borrowing country? Evidently, the Fund asks for detailed policy commitments, and subjects the countries to regular monitoring and review with respect to such policy commitments. This, to say the least, is going far beyond the limits of the so-called "broad macro-economic policy instruments".

Regardless of whether or not the Fund-designed adjustment programmes transgress the limits I have spoken of above, not has nevertheless to be taken of a possible line of argument that the developing countries have themselves been pressing, for years on end, for structural adjustment assistance, not only through the World Bank but also through the

Fund and that for any structural adjustment assistance to a country conditionality must necessarily impinge on economic policy making and that too quite comprehensively. It is not like project assistance where a funding agency can monitor and review the progress of the concerned project.

My response to an argument of the above type would be two-fold. Firstly, the structural adjustment a borrowing country seeks to make to correct its external imbalance need not be on the lines considered appropriate by the external funding agency; indeed hardly any of the developing countries, including India, could have had in mind the structural adjustment of the type that Fund-designed market-oriented programmes are now seeking to impose on them when they made the case for structural adjustment assistance. It is one thing, I believe, to follow one's own self-designed programme of structural adjustment reflecting the country's socio-economic priorities, and quite another for a country to be asked to follow a programme that is designed for it by some one else with an entirely different sets of priorities and then to be put on a leash with respect to its implementation. Secondly, the time perspective of the developing countries in adjusting their economies structurally to the new situation which has generated their external imbalances could not have been limited to a maximum of three years. It is only in the narrow, basically monetarist perspective that still seems to dominate the Fund thinking that anyone can possibly speak of completing adjustment action within such a short period. Although the Fund has at last conceded that structural adjustment assistance comes rightly within its purview, it still has to concede that structural adjustment is, by its very nature, very much more time-consuming. To look for quick results is bound to be often disappointing, if not counterproductive, as can be seen from the Fund's recent experience.

Conditionality in practice?

In the address by the Fund Managing Director I have referred to above, he claimed, on the basis of a Fund review of the performance of the 23 member countries for whom high conditionality stand by arrangements were approved by the Fund during 1978 and 1979, that the recent Fund supported adjustment programmes "have been helping the borrowing countries to adjust". The Fund review of these countries showed that while growth of domestic output had moved, in most cases, along lines envisaged in the programmes, balance of payments targets were achieved in half the programmes and inflation rates declined in only a third of the programmes. A question might well be raised whether a 50 per cent success in programmes aimed principally at resorting the viability of the balance of payments can be considered satisfactory. Should it not be a matter of serious concern for the Fund if its programmes have only a 50 per cent chance of success?

What ought to be much more disquieting is that of the

36 borrowing arrangements with the Fund (stand by and extended), which were in effect at the close of 1981, as many as 24 countries fell short of the Fund performance criteria. Of these 24 defaulting countries, as many as nine have, so far, been able to renegotiate their arrangements; for the other 15 countries borrowing arrangements with the Fund are in a state of suspended animation. It is quite likely that a good number of even these 15 countries will succeed in renegotiating their financing arrangements with the Fund so that outright cancellations will not become necessary. But it ought, at the same time, to be borne in mind that the cancellations of arrangements are also mounting. In 1981 alone the value of cancellations added up to SDR 2.5 billion, which was more than thrice the total value of cancellations in the three years immediately preceding, taken together. In the circumstances, will it be unfair to raise doubts, and ask questions, about the appropriateness of the adjustment programmes that the Fund is pressurising the borrowing countries to adopt?

I hope I have raised sufficient questions about Fund conditionality, about not only the appropriateness of Fund action to changing from low conditionality to high conditionality precisely when *only* the developing countries, and that too the poorer among them, had to go to the Fund for assistance but also the appropriateness of the content of the high conditionality as is being currently enforced. Let me, before concluding, voice my deep sense of concern that while developing countries face today, a relatively more difficult situation than possibly ever before in regard to their balance of payments, their access to international finance including official, bilateral and multilateral finance, has, at the same time been narrowing and becoming more and more difficult.

Table I : BALANCE OF PAYMENTS DEFICITS ON CURRENT ACCOUNT OF NON-OIL DEVELOPING COUNTRIES AS PERCENTAGE OF G.D.P. AND MERCHANDISE IMPORTS - 1973-81

	1973	1974	1975	1976	1977	1978	1979	1980	1981
<i>DEFICIT (in billions of US Dollars)</i>									
All non-oil Developing Countries	11.5	37.1	46.5	33.0	28.6	37.5	57.6	82.1	97.5
Low-Income Countries	4.0	7.5	7.6	4.2	3.4	6.7	9.5	14.1	15.7
<i>As Percentage of G.D.P.</i>									
Non-oil Developing Countries	2.0	5.0	5.8	3.7	3.0	3.2	4.0	4.8	4.9
Low-Income Countries	3.1	4.9	4.7	2.6	1.8	3.1	4.0	4.7	4.4
<i>As Percentage of Merchandise Imports</i>									
Non-oil Developing Countries	12.4	25.1	30.4	20.4	16.1	17.1	20.0	22.4	24.1
Low-Income Countries	35.2	44.5	43.1	24.7	17.6	27.2	31.7	37.3	39.4

Source : *World Economic Outlook*, A survey by the staff of I.M.F. Occasional Paper - 4, June 1981 (Appendix. B. Tables 17 and 18)

Table II : IMF COMMITMENTS UNDER HIGH CONDITIONALITY PROGRAMMES AS AT THE END OF 1981
(BORROWING COUNTRIES GROUPED BY PER CAPITA G.N.P.)

Sl. No.	Below \$ 300	IMF Commitments (in millions of S.D.Rs)	Sl. No.	Between \$ 300 and \$ 699	IMF Commitments (in millions of S.D.Rs)	Sl. No.	Between \$ 700 and \$ 2999	IMF Commitments (in millions of S.D.Rs)	Above \$ 3000
1.	Bangladesh*	800.00	1.	Mauritania*L	25.80	1.	Morocco*	817.05	NIL
2.	Ethiopia	67.50	2.	Madagascar*	109.00	2.	Guatemala	19.10	
3.	Somalia*L	43.13	3.	Togo*	47.50	3.	Jamaica*L	477.70	
4.	Burma	27.00	4.	Kenya*L	241.50	4.	Ivory Coast	484.50	
5.	Zaire*	912.00	5.	Senegal*	63.00	5.	Korea*L	576.00	
6.	Malawi*L	49.875	6.	Solomon Islands*	1.60	6.	Costa Rica*	276.75	
7.	India	5000.00	7.	Sudan*L	427.00	7.	Romania*	1102.50	
8.	Tanzania*	179.60	8.	Liberia*L	55.00	8.	Yugoslavia	1662.00	
9.	Sierra Leone*L	163.70	9.	Honduras*	47.60	9.	Uruguay	31.50	
10.	Uganda*	112.50	10.	Zambia*	800.00				
11.	Central African Republic	10.40	11.	Dominica	8.55				
12.	Pakistan	1268.00	12.	Zimbabwe	37.50				
			13.	Thailand	814.50				
			14.	Grenada	3.425				
			15.	Guyana*	150.00				
Total		8633.705	Total		2831.975	Total		5447.10	
Percentage		51.05	Percentage		16.75	Percentage		32.2	

(The Countries have been listed in each groups in ascending order with respect to per capita GNP)

Note: * - In the case of these countries drawings were suspended on grounds of failure to adhere to performance criteria as agreed upon under the adjustment programmes. These include countries which have succeeded in re-negotiating the drawing arrangements.

*L - In the case of these countries drawings have been restored in re-negotiation.

Source: IMF Surveys, 1980, 1981 and 1982.

Table III : FINANCIAL FACILITIES OF THE FUND AND THEIR CONDITIONALITY

Reserve tranche

Condition - balance of payments need

*Tranche Policies**a. First Credit Tranche*

Programme representing reasonable efforts to overcome balance of payments difficulties; performance criteria and instalments not used; also drawing may be made either as direct purchase or under a stand-by arrangement with instalment drawings.

b. Higher Credit Tranches

Programmes in which the member country gives substantial justification of its efforts to overcome balance of payments difficulties; resources normally provided under stand-by arrangements which include performance criteria and drawings in instalments.

Extended Facility (established in 1974)

Medium-term programme for upto three years to overcome structural mal-adjustments; also detailed statement of policies and measures for the first and subsequent 12 month periods drawings are phased and made subject to performance clauses relating to implementation of big policy measures.

Compensatory Finance Facility (established in 1973)

Existence of temporary export short fall for reasons largely beyond the member's control; for drawings beyond 50 per cent of the quota the member has to satisfy the Fund that it has been cooperating to solve payments difficulties.

Buffer Stock Financing Facility (established in 1969)

Existence of an international buffer-stock accepted as suitable by Fund; member expected to co-operate with Fund as in the case of compensatory financing.

Supplementary Financing Facility/Enlarged Access Policy

For use in support of programmes under stand-by arrangements reaching into the upper credit tranches or beyond, or under extended arrangements normally exceeding one year and subject to relevant policies on conditionality, phasing, and performance criteria.

Table IV : LIMITS OF DRAWINGS ON I.M.F. FACILITIES
(as per cent of Country quota)

<i>Facility</i>	<i>Limits of drawing on facility (per cent of quota)</i>	<i>Maximum cumulative drawing (per cent of quota)</i>
Reserve tranche	25	25
First Credit tranche	25	50
Upper Credit tranche	75	125
Extended Fund Facility	140	190 ¹
Supplementary Financing Facility/Enlarged Access Policy	140	330 ²
Compensatory Financing Facility	125 ³	455
Buffer Stock Financing Facility	50	505

¹Purchases under the Extended Facility are additional to those a member may make under the reserves and first credit tranches and are subject to high conditionality, hence the cumulative progress of only 190. In effect, therefore the extended Facility raised the access of a member to the Fund's high conditionality resources by only 65 per cent of its quota (140 minus 75)

²In special circumstances, additional amounts may be provided by the Fund and these additional purchases can be made by a member under the supplementary financing facility/enlarged access policy. Present Fund guidelines specify limits of 150 per cent over a 3 year period subject to a 600 per cent limit on the cumulative use of Fund resources. Even these limits, it is said, may be exceeded in exceptional circumstances. Furthermore, these limits do not include drawings under the compensatory and buffer stock financing facilities or outstanding drawings under the oil facilities of 1974-76.

³Following the decision in mid-1981 to authorise and integrate temporary Fund compensation for excess cost incurred in current imports with shortfalls in export receipts, the overall limit of drawing from the facility has been raised to 125 per cent of quota.

Source : IMF Surveys, May and June 1981

R.B.R.R. KALE MEMORIAL LECTURES

Lecture	Subject	Year
1. * V.G. KALE	Modern Tendencies In Economic Thought and Policy	1937
2. + G.S. GHURYE	The Social Process	1938
3. B.R. AMBEDKAR	Federation versus Freedom	1939
4. * K.T. SHAH	The Constituent Assembly	1940
5. + A.V. THAKKAR	The Problem of the Aborigines in India	1941
6. + V.L. MEHTA	A Plea for Planning In Cooperation	1942
7. S.G. VAZE	The Formation of Federations	1943
8. * JOHN MATHAI	Economic Policy	1944
9. * S.R. DESHPANDE	A Statistical Approach to Vital Economic Problems	1945
10. * J.V. JOSHI	India's Sterling Balances	1946
11. + C.D. DESHMUKH	Central Banking in India : A Retrospect	1948
12. + D.G. KARVE	Public Administration in Democracy	1949
13. R.L. DEY	Policy of Protection in India	1950
14. M. VENKAT-RANGAIYA	Competitive and Cooperative Trends in Federalism	1951
15. A.D. GORWALA	The Role of the Administrator : Past, Present and Future	1952
16. * LAXMANSHASTRI JOSHI	Indian Nationalism	1953
17. + W.R. NATU	Public Administration and Economic Development	1954
18. * P.C. MAHALA-NOBIS	Some Thoughts on Planning in India	1955
19. + S.K. MURANJAN	Reflections on Economic Growth and Progress	1956
20. + B.K. MADAN	Financing the Second Five-Year Plan	1957
21. * V.K.R.V. RAO	Some Reflections on the Rate of Saving in Developing Economy	1958
22. K.P. CHATTO-PADHYAY	Some Approaches to Study of Social Change	1959
23. B. VENKATA-PPIAH	The Role of Reserve Bank of India in the Development of Credit Institutions	1960
24. B.N. GANGULI	Economic Integration : Regional, National and International	1961
25. A. APPADORA	Dilemma in Modern Foreign Policy	1962
26. + H.M. PATEL	The Defence of India	1963
27. + M.L. DANTWALA	The Impact of Economic Development on the Agricultural Sector	1964
28. * PITAMBAR PANT	Decades of Transition - Opportunities and Tasks	1965
29. + D.R. GADGIL	District Development Planning	1966
30. S.L. KIRLOSKAR	Universities and the training of Industrial Business Management	1967
31. E.M.S. NAMBOODRIPAD	The Republican Constitution in the Struggle for Socialism	1968
32. J.J. ANJARIA	Strategy of Economic Development	1969
33. RAJANI KOTHARI	Political Economy of Development	1971
34. * V.V. JOHN	Education as Investment	1972
35. K.N. RAJ	The Politics and Economics of "Intermediate Regimes"	1973
36. H.K. PARANJAPE	India's Strategy for Industrial Growth: An Appraisal	1974
37. ASHOK MITRA	Diseconomies and Growth	1975
38. S.V. KOGEKAR	Revision of the Constitution	1976
39. M.N. SRINIVAS	Science, Technology and Rural Development in India	1977
40. J.P. NAIK	Educational Reform in India : A Historical Review	1978
41. TARLOK SINGH	The Planning Process and Public Policy: A Reassessment	1979
42. ALOO J. DASTUR	Problems of Indian Minorities	1980
43. V.M. DANDEKAR	Measurement of Poverty	1981
44. I.S. GULATI	IMF Conditionality and Low Income Countries	1982

* Not Published

+ Out of Print

No lecture was delivered in 1947 and 1970