

Compensatory Financing Facility; a review of its operation

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I. Introduction

Considerable attention has been given for many years by the international community to the problems arising from the instability of export earnings, especially those encountered by developing countries heavily dependent on the export of a few commodities with unstable prices. One of the mechanisms introduced by the international community to reduce fluctuations in the export earnings of developing countries, or, at least, to mitigate their adverse impact on the development process, was the establishment in 1963 by the International Monetary Fund of the Compensatory Financing Facility⁽¹⁾. As the International Monetary Fund points out⁽²⁾: "The financing of deficits arising out of export shortfalls, notably those of primary exporting countries, has always been regarded as a legitimate use of Fund resources, which have been drawn on frequently for this purpose". In a special IMF Pamphlet on the Compensatory Financing Facility Louis Goreux⁽³⁾ clearly spells out the Facility's main purpose: "Ideally, the facility should enable a member to borrow when its export earnings and financial reserves are low and to repay when they are high, so that its import capacity is unaffected by fluctuations in export earnings caused by external events".

(1) Currently, there exist two other compensatory financing schemes; one is administered by the Arab Monetary Fund; another known as STABEX, is administered by the European Economic Community.

(2) IMF Decision on Compensatory Financing of Export Fluctuations Decision No. 6224 - (79/135) adopted August 2nd, 1979.

(3) Louis M. Goreux Compensatory Financing Facility Pamphlet series No.34, IMF. Washington DC. 1980, p.3.

The Compensatory Financing Facility became in the seventies a major facility for providing payments assistance to member countries, especially the developing ones. The participation of the CFF in total use of Fund Credit by developing countries has however declined somewhat from its peak of 44.7% in the January 1976 - July 1979 period to 27.8% in the August 1979 - May 1982 period.⁽⁴⁾

As is increasingly recognised, a very important proportion of the large Balance of Payments deficits of developing countries are currently attributable to circumstances beyond their control. Of great significance within these external factors is the recent dramatic decline (in real and since 1981 even in nominal terms) of international prices of primary commodities. As has been widely noted, in the first quarter of 1982, the overall index of primary commodity prices deflated by the U.N. index of prices of manufactured exports reached its very lowest level for the last twenty-five years.⁽⁵⁾ While stagnation or low growth remain the dominant feature in industrial countries, the prospects for growth in the value of developing countries' exports remain rather gloomy. It therefore seems timely to review the functioning of the Compensatory Financing Facility in recent years and to evaluate whether it has contributed sufficiently to the objective outlined above, of "sustaining import capacity in circumstances where exports are fluctuating due to circumstances outside the developing countries' control". To the extent that the Compensatory Financing Facility has not contributed sufficiently in the recent past to stabilize import capacity (or may not do so sufficiently in the near future) modifications will be suggested to improve and/or broaden its operation.

(4) Source: IMF data. The latter figure includes drawings under the cereal facility. Use of Fund Credit (both total and in the CFF) refers here only to New Purchases and therefore is different to the concept of Net Use of Fund Credit used below, which refers to Purchases minus Repurchases.

(5) See, for example, UNCTAD, Trade and Development Report 1982 Chapter 1 and IMF Survey, April 5, 1982.

Before analysing the CFF, it seems useful to point out the implicit assumptions on which its design was based. The CFF was designed in the early sixties assuming correctly that the value of developing countries' exports fluctuate significantly and that such fluctuations are to a great extent explained by the cyclical pattern of economic activity in industrial countries.⁽⁶⁾ A further important assumption was that these cycles of economic activity in industrial countries were short and occurred within a long-term trend of sustained growth; this latter assumption - which was basically correct in the fifties and sixties - no longer seemed to hold true in the seventies and even less in the early eighties. In particular, the current recession in the industrial countries has been very long; furthermore, hopes for a sustained recovery are constantly disappearing beyond the immediate horizon. As pointed out this had a very negative impact on developing countries' export earnings. If stagnation or slow growth in the industrial countries were to persist for a long period a fundamental review of the CFF, which would incorporate the changing pattern of growth in the world economy, may become necessary.

(6) M. Goldstein and M S Khan in "Effects of Slowdown in Industrial Countries on Growth in Non-Oil Developing Countries". IMF Occasional Paper 12. Washington D.C. August 1982, provide a recent review of the evidence in this area. This, as well as other studies, show that both the terms of trade and export volumes of developing countries are closely connected with economic activity in the industrial countries; in fact, according to the estimates provided by them, the elasticity of non-oil exporting countries' exports volume with respect to industrial countries' real GNP has increased over the past 20 to 30 years.

In the rest of the paper, we will first examine the main characteristics of the Compensatory Financing Facility, as well as its history. Secondly, we will look at the evolution of CFF lending, and its relation to countries' export estimated shortfalls; particular emphasis will be placed on the recent evolution. Finally, we will examine in more detail the evolution of the CFF under the 1979 Decision.

II. Main features of the CFF

The Compensatory Financing Facility was established by the IMF in 1963, to provide additional assistance to member countries experiencing balance of payments difficulties arising from export shortfalls, provided the latter are temporary and largely attributable to circumstances beyond the member's control. The amount a country can draw under this facility can exceed neither the calculated shortfall (net of adjustments for providing double compensation) nor a maximum limit of its quota in the IMF.

The CFF has been revised in 1966, 1975 and 1979. In 1981, it was extended to cover excesses in the cost of cereal imports; as a result, countries have the option of making compensatory drawings on the net shortfall of exports (calculated as the sum of the shortfall in export receipts and the excess in cereal import costs).

a. Quota limits

Amongst the main changes introduced in the revisions of the CFF has been an increase in the proportion of a member country's quota which provides the maximum limit for its CFF drawings. The limit which reached 25 per cent of quota under the 1963 decision was expanded to 50 per cent of quota under the 1966 decision,

TABLE 1

Annual Average Ratios of Fund Quotas to Balance of Payments
Indicators, for Deficit Developing Countries (a) (b)

Period	Average Ratio of Def Dev Countries' IMF quotas to Current Account Deficit (c)	Average Ratio of Def. Dev. Countries' IMF quotas to Exports (d)
1966-68	0.64	0.16
1969-71	0.54	0.17
1972-75	0.31	0.11
1976-78	0.13	0.06
1979-81	0.12	0.06

- (a) Deficit developing countries include all developing countries, with the exception of the capital-surplus countries (Brunei, Iran, Iraq, Kuwait, Libyan Arab Jamahiriya, Qatar, Saudi Arabia, and United Arab Emirates). This classification follows that of the United Nations World Economic Survey.
- (b) Fund quotas for each year correspond to the average of IMF quotas at the beginning and end of each year, each expressed in US dollars.
- (c) This column reflects the ratio of the sum of average IMF quotas divided by the sum of current account deficits, for all the developing countries that had current account deficits, in any particular year.
- (d) This column corresponds to the ratio of the sum of average IMF quotas divided by the sum of exports, for all deficit developing countries - as defined in (a)

Source: Calculations based on IMF International Financial Statistics, Balance of Payments and Direction of Trade Statistics tapes. I am grateful to Mr Manuel Agosin and Mr Barry Herman for having carried out these calculations on the computer.

75 per cent of quota under the 1975 decision and 100 per cent of quota under the 1979 decision. The 1979 decision also eliminated the additional constraint on drawings within a 12 month period, which were limited to 50 per cent of quota under the 1975 decision. Under the 1981 Decision No. 6860, ⁽⁷⁾ the total amount of a countries' purchases outstanding may not exceed 125% of quota; neither the export shortfall nor the excess in cereal imports may exceed 100% of quota.

As IMF documents have pointed out, ⁽⁸⁾ the progressive relaxation of quota limitations on CFF drawings has to a large extent been offset by the rapid erosion of the ratio between IMF quotas and indicators which reflect the growth of world trade and/or of Balance of Payments imbalances, (i.e. export earnings, current account deficits). IMF quotas which are expressed in nominal terms, have grown substantially less than world trade at current prices and far slower than world payments imbalances. ⁽⁹⁾ Thus, as can be seen in Table 1, total IMF quotas which in 1966-68 were equivalent to 16% of deficit developing countries' export earnings and 64% of those countries' current account deficits were only equivalent, in 1978-81 to 6% of deficit developing countries' export earnings and only 12% of their current account deficits.

As can be seen in Table 1, the deterioration occurring since the mid sixties in these ratios, has been both pervasive and very large. It is particularly striking that the ratio of deficit developing countries' IMF quotas to their current account deficits was in 1978-81 less than one fifth of the ratio in 1966-68. Although not so dramatic, the decline in the ratio of deficit developing countries' IMF quotas to their export earnings has also been very significant.

(7) IMF Decision No. 6860 - (81/81) May 13, 1981.

(8) See, for example, Goreux, op cit in (3).

(9) Increased world inflation during the seventies naturally contributed to a more rapid erosion of quota's real value as they are expressed in nominal terms.

As a result of these trends maximum borrowing from the CFF under the 1966 decision (which was equivalent to 50% of quota limit) was on average equal to 32% of total current account payments imbalances in 1966-68. The maximum borrowing from the CFF under the 1975 decision (though increased to 75% of quota limit) was equivalent to a mere 10% of total current account payments imbalances in 1976-78. When the limit was increased to 100% of quota in 1979, the maximum borrowing under the CFF grew slightly to 12% of total current account payments imbalances for 1979-81 (still well below the 1966-68 ratio).

We can therefore conclude that the progressive relaxation of quota limits has in fact been more than compensated for by the dramatic rise in trade flows and particularly in payments imbalances during the seventies, which grew much faster than quotas. This point is not clearly perceived or even mentioned in some recent analysis. Thus, a 1982 U.S. State Department document on the subject,⁽¹⁰⁾ concludes that "the amount of credit available through the CFF has increased greatly since the earlier period owing to a major expansion of the CFF in 1979". Similarly in a relatively recent IMF document on the Brandt Commission Report,⁽¹¹⁾ it is argued that "it must be noted that the amounts which members experiencing export shortfalls are eligible to draw (under the CFF) have risen progressively as a result of both the successive increases in quota limits in compensatory financing drawings and the increase in Fund quotas". In neither of these two documents is the relative decline of credit availability under the CFF in relation to trade flows and particularly to current account imbalances mentioned.

(10) U.S. State Department. Bureau of Intelligence and Research. IMF Effectiveness during the current commodity slump. Report 342 -AR. March 1982.

(11) IMF Report of the Brandt Commission - Recommendations Concerning the World Monetary Order. SM/80/129, June 2, 1980.

As we shall discuss in some more detail below, quota limits have been the main reason which have prevented countries drawing under the CFF from being fully compensated for their shortfalls, as estimated by the Fund. A relative deterioration of the ratio of quota limits to trade flows and current account imbalances (as occurred in the last decade) is therefore a cause of particular concern.

b. Calculation of shortfalls

The maximum amount which a member can draw under the CFF depends on the amount of the shortfall in export earnings during the most recent 12 month period for which data are available. The amount of the shortfall is measured by the discrepancy between the value of export earnings in the shortfall year and the medium-term trend value of export earnings in that year; the latter is defined for the purpose of the CFF as the five-year geometric average centered on the shortfall year. Since, at the time of drawing, export earnings are not known beyond the end of the shortfall year, the calculation of the shortfall requires a forecast of export earnings for the 24-month period after the end of the shortfall year. Inevitably such forecasts are difficult and may imply an important margin of error; these are probably accentuated in the current uncertain economic environment. As Goreux ⁽¹²⁾ shows, after analysing the validity of past forecasts, forecasting errors that are relatively small in percentage terms may cause sizeable differences in the amounts purchased.

1. Coverage

The facility, which initially covered shortfalls in earnings from merchandise exports only, was extended in August 1979 to cover both merchandise and some categories of services. Since August 1979, receipts from travel and workers' remittances can be added to earnings from merchandise exports under two conditions.

(12) Op cit above.

First, the Fund must be satisfied that the statistics are reasonably accurate. Second, the member must opt for the inclusion or the exclusion of travel and workers' remittances when it presents its first request after the end of 1979, and the option cannot be reversed for a period of five years.

2. Calculations in Nominal Terms

All calculations relating to the use of the CFF are made in SDR's at current prices. There have been several suggestions (for example, by the UNCTAD Secretariat ⁽¹³⁾ and by the Brandt Commission Report) that calculations should be made in real terms, so as to reflect the real purchasing power of exports; this proposal was of increasing relevance in recent years as prices of countries' exports and imports changed rapidly and fluctuated widely.

The Executive Board of the Fund has considered several times the possibility of making calculations in real terms, but has on each occasion rejected it. On the one hand, it has been argued that accurate indices of average import unit values are not available for all countries and their release is less timely than those of nominal export earnings. The UNCTAD Secretariat ⁽¹⁴⁾, however, has argued that timely comprehensive statistical information on import prices is in fact available in the UN system. Furthermore, an improvement of import price statistics for individual countries could be achieved with relative ease, particularly if, where necessary, countries received technical assistance from an institution such as the IMF. This could be easily arranged as it is already common practice that special efforts are made by countries - including technical assistance from the Fund staff - to update their trade statistics at the time of a CFF request.

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- (13) See, in particular, UNCTAD Secretariat, Trade and Development Board, International Monetary Issues. Compensatory Financing for export fluctuations. Note by the UNCTAD secretariat TD/B/c.3/152/Rev 1, 9 April 1979. More recently, a similar proposal was put forward by Williamson, John in The lending policies of the International Monetary Reform. Institute for International Economics August, 1982. Washington DC.
- (14) See UNCTAD, Secretariat, op cit in (13).

Secondly, the IMF's decision to continue calculating shortfalls in nominal terms is supported by the fact that the amount of the shortfall would not be modified by making calculations in real terms if the rate of inflation were constant. As this argument is not particularly relevant in today's world of rapidly changing inflation rates, the Fund further argues that if inflation is uneven, the sum of the shortfalls calculated for a large number of consecutive years would remain about the same whether calculations were made in nominal or real terms, even though accepting that the distribution of shortfalls from year to year would be changed.

In Table 2 are summarized the results of a simulation exercise carried out for the 1973-82 period, both for non-oil exporting developing countries and for the least developed countries, of export shortfalls estimated according to the IMF formula (in nominal terms) and according to a revised IMF formula (which reflects the purchasing power of exports). It is evident from this Table that large differences arise not only on a yearly basis, but also in the total sum for the whole period for both categories of countries. As 1973-82 was on the whole a period of rising inflation in industrial countries' exports, shortfalls were significantly larger (and overages smaller) if calculated according to the revised formula. There is also a very important problem of timing, clearly illustrated by the 1980-81 evolution, particularly for the category of non-oil exporting developing countries. In 1980 and 1981, nominal export prices for these countries were rising, even though more slowly than their import prices; as a result, according to the IMF formula these countries had total net export overages (excesses). However, the revised formula, reflecting the real purchasing power of exports, was more correctly showing a large shortfall.

It can therefore be concluded that calculations of export shortfalls in real terms yield significantly different results than calculations in nominal terms, even for a relatively long period; furthermore, the former reflect more accurately country's real import capacity. Finally, if calculations of shortfalls and drawings were to be based on real purchasing power of exports, the assistance would clearly be more timely, and reflect more accurately countries' needs.

TABLE 2

Comparison between Estimated Export Shortfalls (-) and Overages (+)
calculated in real and nominal terms, in US\$ million, at 1975
prices (a)

Years	All Non-oil exporting developing countries (b)		Least developed countries (c)	
	(1) (d) Present IMF formula (Nominal)	(2) (e) Revised IMF formula (Real)	(3) (d) Present IMF formula (nominal)	(4) (e) Revised IMF formula Real
1973	4919	9750	88	185
1974	16458	2754	141	-312
1975	-4231	-11243	-315	-534
1976	-1690	311	209	333
1977	556	5410	391	567
1978	-6530	6178	-431	-226
1979	3437	3128	54	53
1980	9899	-8946	205	57
1981	1219	-2310	-42	-225
1982	-8393	1258	-90	-150
Total sum of shortfalls and overages (+)	18644	6290	+210	-252

Notes: (a) Shortfalls and overages have been calculated on a regional basis and then aggregated for each year.

(b) Refers to all developing countries, except for the major oil exporters, as defined in UNCTAD, Handbook of International Trade and Development Statistics, Supplement 1981.

(c) Refers to the least developed countries, same source as (b).

(d) Shortfalls and overages are calculated according to present IMF formula (on a nominal basis). Once calculated and aggregated the shortfalls and overages have been deflated by the import price index of developing countries, to make different years comparable.

(e) Shortfalls and overages are calculated according to revised IMF formula (on a real basis). Therefore, countries' shortfalls and overages reflect the purchasing power of exports.

Source: UNCTAD Secretariat calculations, based on UNCTAD tapes. I am grateful to Mr Paul Robertson for having carried out these calculations.

3. Use of Geometric Average

Until the adoption of the 1979 revision, the trend value used in assessing the amount of the shortfall was calculated as an arithmetic average. The change to a geometric average was made because it was believed that the nominal value of export earnings follows more clearly a geometric curve rather than an arithmetic one. The statistical fit for a sample of 74 countries during the period 1957-78 was better with a geometric trend, especially for the relatively more developed countries.⁽¹⁵⁾ The introduction of the geometric average in 1979 raises two important issues. The first one is technical; in the last decade (and in particular in recent years) the growth of world trade and of developing countries exports has certainly not occurred at a geometric rate. This is particularly true for the poorest developing countries whose exports have either declined, stagnated or grown at an extremely slow rate. Therefore, if more recent figures are included (and the figures for the late fifties and sixties eliminated), it could well be possible that an arithmetic fit would be better than a geometric one, particularly for the poorest countries.⁽¹⁶⁾ Secondly, it seems necessary to point out that geometric averages are always either smaller or at most equal to arithmetic averages; thus, switching to a calculation based on geometric averages would imply that the shortfall estimated (and possibly therefore the credit granted) is smaller. In fact, as can be seen in Table 3, export shortfalls are a significantly lower proportion of export earnings if calculated as geometric averages and even the number of years in which countries are defined as having shortfalls is smaller if export earnings are calculated as geometric averages.

(15) See, Goreux, op cit, for calculations and discussion.

(16) It is interesting that many economic indicators' growth is calculated assuming a geometric trend. This method may have been correct in the fifties and sixties when industrial countries were growing approximately at steady rates, but seems incorrect for the more recent period of low and uneven growth and/or decline. I thank Dr Robert Griffith-Jones for making this point.

TABLE 3

Amounts and Number of Shortfalls and Excesses Calculated with Arithmetic and Geometric Averages for 74 countries, 1959-76.

Arithmetic Average		Geometric Average	
Shortfalls	Excesses	Shortfalls	Excesses
Amounts as per cent of export earnings.			
5.10	3.17	3.91	4.01
Number of years as per cent of total			
59	41	54	46

Source: Data based on Goreux, op cit, Table 12.

Therefore, it can be concluded that the use of geometric averages to calculate shortfalls may be methodologically incorrect during periods of slow growth or stagnation of world trade; it may introduce a downward bias in the estimate of shortfalls, specially as it was introduced after these shortfalls had been estimated as an arithmetic mean. (as can be seen in Table 3, for the period 1959-76, the shortfalls calculated by geometric average were approximately 30% less than those calculated by arithmetic average). It is interesting to note that the Fund staff in its internal 1979 Review of the CFF pointed out that replacing the arithmetic average by a geometric one would have the affect of reducing purchases; they claimed that this reduction could be approximately offset by the rise in the limit on outstanding purchases from 75% to 100% of the member's quota.

c. Conditionality and Need

The member does not have to present a financial programme for making a purchase under the compensatory financing facility (as it has, to be able to draw on stand-by or extended arrangement facility). For making any purchase under the facility, the Fund must be satisfied that "the member will cooperate with the Fund in an effort to find, where required, appropriate solutions for its balance of payments difficulties". The test of cooperation is stricter when the purchase has the effect of raising outstanding purchases above 50 per cent of the member's quota, as the Fund must be satisfied then that past cooperation has been adequate. As Goreux⁽¹⁷⁾ points out "although the extent of the cooperation required has not been codified, satisfactory performance in the context of a financial programme supported by the Fund would be considered as evidence of past cooperation... a financial programme in effect is not required for passing the stricter test of cooperation The extent of a member's cooperation with the Fund has to be reviewed on a case-by-case basis".

The fact that drawings on the CFF imply a relatively low degree of conditionality clearly is a key explanatory factor for the high level of its use by developing countries, who obviously prefer it to credit with higher degrees of conditionality.

Some concern has been expressed, however, by particular Governments of developing countries in relation to the somewhat higher conditionality for CFF drawings beyond 50% of quota. It has been reported, that recently some countries drew less

(17) op cit, above.

than they could have done under the CFF because they did not wish to meet IMF conditions or that the Fund estimated that it was unable to authorise drawings under the CFF beyond 50% of quota as there was no or insufficient evidence that appropriate policies had been pursued. Even though not all the members that expressed interest in making an upper tranche CFF purchase were able to do so, it is difficult to trace precisely where the lack of the required cooperation was the primary factor resulting in the nonpursuance of requests for upper tranche CF purchases.

Furthermore, it has been reported that in some cases negotiations between member countries and the IMF for the approval of a CFF credit have been implicitly linked to the previous or simultaneous approval of a stand-by or extended arrangement, so as to agree a "complete package" of IMF finance. Such a tendency should be a cause of serious concern, as it would de facto introduce indirectly upper credit tranche conditionality into the approval of the CFF credits.

The debate about the need and nature of conditionality in the CFF goes back to the time of its birth.⁽¹⁸⁾ Already then a UN Committee of Experts expressed clear preference for the granting of compensatory finance on an automatic base. However, since 1963 the Fund has rejected automatism in the granting of such credits, largely because it argues that it is difficult to separate between export shortfalls caused by circumstances beyond a member country's control and those that are not. The Fund further argues that since the First Amendment of the Fund Agreement (carried out in 1966), this rejection of automaticity for use of the CFF has been given legal basis, as it has been precluded from granting de facto automaticity to requests other than reserve tranche purchases.

(18) For the original Fund position, see IMF Automatism and the Use of Fund Resources, Part III of Report on Compensatory Financing of Export Fluctuations, Washington. February 1963.

The case for automaticity remains very clear mainly because the CFF provides assistance in relation to export shortfalls which are not only largely attributable to circumstances beyond the control of a member but which are also assumed to be self-reversing.

Further conditions for a CFF drawing are a balance of payments need, that the shortfall must be temporary and largely attributable to circumstances beyond the control of the member. Purchases under the facility, like all other Fund purchases, are subject to the requirement of need, which is assessed on the basis of the member's balance of payments or reserve position or developments in its reserves.

The temporary character of the shortfall is measured, to a large extent, by defining the shortfall as the downward deviation from the five-year average centered on the shortfall year. Both within the IMF and outside it, (see, for example, UNCTAD Secretariat (1979) op cit above) the issue has been raised of extending the number of years for which the average is calculated, so as to smooth the impact of abnormal events or of cyclical fluctuations. The Fund staff has considered the possibility of extending the length of the reference period from five to seven or nine years, but has rejected it because it would require forecasting export earnings for one or two additional years. Even though accepting the technical problems in a longer forecasting period, it seems important to point out that the extension of the period for which the average is calculated has currently acquired increased relevance as the industrial countries' business cycle (and particularly its trough) seems to be lengthening.

d. Repayments

Repayments of compensatory drawings are "made in equal quarterly installments during the period beginning three years and ending five years after the date of purchase unless the Fund approves a different schedule". An expectation to repurchase earlier arises normally on the basis of an improvement in the member's balance of payments and reserve position; another instance of early repurchase may arise if due to underestimation of export earnings in the shortfall year, the country has been over compensated.

In the special IMF Pamphlet on the Compensatory Financing Facility, Goreux ⁽¹⁹⁾ points out that: "In order to make a purchase under the facility, members must have simultaneously an export shortfall and a need to draw. It could be argued by analogy that members should be expected to repurchase when they have simultaneously an export excess and the ability to repay". Goreux further states that "the reason for not linking repurchase to export excess is a pragmatic one, as doing so would have required a forecast of export earnings at regular intervals (eg quarterly) for every country with outstanding drawings under the facility, and an agreement between the Fund and the member on such forecasts when they led to a repurchase expectation". This pragmatic reason given by Goreux cannot be particularly strongly supported as such calculations are already carried out to determine early repurchases, and could therefore (without much additional effort) be carried out to determine late repurchases.

Proposals have repeatedly been made that the repayment terms of the Compensatory Financing Facility become more flexible, in such a way that they are linked to the borrowers' capacity to repay (for example by the UNCTAD Secretariat in its 1979 document quoted above, by the Group of 77 Ministerial Meeting in Arusha in February 1979 and by the Brandt Report).

The logic of flexible repayments (linked to favourable export performance) is very clear. Unless repayments are made by a particular country only when overages (export excesses) occur, the schedule of payments may coincide with the occurrence of future shortfalls and therefore may mitigate the benefits of net drawings from the Facility.

(19) Op cit, above.

In Table 4, we can see clearly the difference between total countries' new purchases under the CFF and their net purchases (equivalent to the new purchases minus repurchases under the CFF, made by those countries that also made purchases during that year). Particularly since 1979 net purchases have been approximately 20% below new purchases. The main reason why since 1979 net purchases were significantly lower than new purchases is linked to the fact that countries were since that year paying back the extraordinarily high drawings under CFF, which occurred mainly in 1976 (see Table 5). Thus, the level of net purchases was affected by a factor totally independent of current needs of the countries, and which was determined by events occurring a few years earlier.

TABLE 4

Countries' New and Net Compensatory Financing Drawings, 1977-81

Year	(1) New Purchases under CFF (SDR million)	(2) Repurchases under CFF (a) (SDR million)	(3) = (1) - (2) Net Purchases under CFF (a) (SDR million)
1977	241	6	235
1978	578	10	568
1979	572	117	455
1980	980	198	782
1981	1243	214	1029

(a) Repurchases and Net purchases refer only to those countries which made new purchases during a particular year.

Source: IMF International Financial Statistics. Supplement on Fund Accounts, Supplement Series, No.3. 1982.

It should be stressed that if the period of repayment were extended only for countries which do not have export excesses, the increase in net purchases under the CFF would naturally be much smaller than if it were extended for all countries that had borrowed under the facility. The current practice of accelerating repayments when export excesses occur and countries have the ability to repay should be either maintained or even increased, thus restricting somewhat more the net growth of the CFF drawings as a result of the extension of the repayment period.

The extension of the period of repayment, for countries without export excesses, to a longer period (to a maximum for example of 4-10 years) would have a precedent in other types of already existing Fund facilities. Thus, countries drawing under the extended fund facility have to make repurchases in installments within limits of 4½ to 10 years and countries drawing under the Oil Facility, the supplementary financing facility and the policy of enlarged access have to make repurchases within limits of 4-10 years. The difference with these existing facilities would be that longer repayments under the CFF (till a maximum of, for example, 4-10 years) would occur only in those cases where the country did not have export excesses and had a continued Balance of Payments need. The flexibility in repayments already has a precedent in current IMF practice in the CFF itself, even though it is referred only to acceleration of repayments.

The introduction of flexibility in repayment furthermore has precedents both in commercial practice (under the name of "bisque" arrangements) and in some international agreements (i.e. the Anglo American Financial Agreement of 1946).⁽²⁰⁾

(20) For more details, see C. Harvey. On Reducing the Risk in Foreign Exchange - For Both Parties. IDS Discussion Paper 167. For a further discussion of related issues, see G.K. Helleiner "Relief and reform in the third world debt". World Development, Vol 7, no.2, February 1979, p.119.

II. Evolution of CFF lending, its relation to countries' needs.

a. Gross and net CFF lending

Since the liberalization of the CFF in December 1975, purchases under this facility have reached a peak. The most spectacular growth was in 1976, when purchases grew very significantly (see Table 5). By April 1982, outstanding purchases under the CFF amounted to SDR 3.6 billion, which was about one fourth of total purchases outstanding of SDR 14.9 billion. ⁽²¹⁾ However, the participation of CFF drawings in total purchases had declined somewhat from their peak of 29.7% in the January 1976-July 1979 period to 26.2% in the August 1979-May 1982 period; this relative decline was far more important for the developing countries as their drawings on the CFF fell from 44.7% of total purchases in the former period to 27.8% in the latter.

The figures quoted above refer - as do most of the published IMF figures - to new purchases only. An equally appropriate indicator to measure the contribution of the CFF to all countries' balance of payments needs (and in particular those needs caused by export shortfalls) is the evolution of total net purchases under the CFF facility. As can be seen in Table 5, total net purchases increased very substantially in 1976, as a result of increases in measured shortfalls and of the 1975 liberalization. However, in later years total net purchases under the CFF have been again either rather low or even negative (in 1979 and 1980).

Negative total net purchases in 1979 and 1980 are largely due to the impact of high total repurchases, resulting mainly from the high new purchases in 1976 itself.

b. Evolution of the rate of compensation as estimated by the Fund

To assess the adequacy of the facility in meeting countries' needs is not a completely straightforward task. A first approximation (which is the one used by the Fund) is to compare new purchases under the CFF with the judgemental net shortfalls as estimated by the IMF staff at the time of the request; the ratio of the former to the latter is called the rate of compensation.

(21) Source: IMF 1982 Annual Report.

TABLE 5

New Purchases, Total Repurchases and Total Net Purchases under (a)
CFF, 1963-1982 (million SDR's)

	(1)	(2)	(3)=(1)-(2)
	<u>New Purchases</u>	<u>Total Repurchases</u>	<u>Total Net purchase</u>
1963 Decision			
1963	76	-	76
1964	-		-
1965	11		11
1966 Decision			
1966	24	16	8
1967	198	33	165
1968	68	78	-10
1969	12	37	-29
1970	2	97	-95
1971	70	70	0
1972	300	51	249
1973	114	34	70
1974	107	32	75
1975	239	51	188
1975 Decision			
1976	2308	317	1991
1977	241	198	43
1978	578	413	165
1979			
Jan-July 79	279	353	-74
1979 Decision			
August-December 79	293	290	3
1979	572	643	-71
1980	980	1039	-59
1981	1243	762	481
Jan 1982-May 1982	582	199	383

(a) Total Repurchases refers to repurchases by all countries (whether they made a new purchase during that year or not). Therefore, the resulting value is quite different from that of column (2), in table 4. Consequently, Total Net Purchases in this table is different from Net Purchases (column 3) in Table 4.

Sources: IMF International Financial Statistics for 1963-1981.
 Data provided by the IMF for Jan 1982-May 1982.

TABLE 6

Average rate of compensation, 1976-81 (in per cent) (a) (b)

Years	(1) New purchases (c)	(2) Net drawings (d)
1976	40.0	n.a.
1977	42.2	41.3
1978	51.2	50.3
1979	52.1	41.4
1980	75.8	60.4
1981	50.2	41.6

- (a) Referred to all member countries, which draw during the period.
- (b) The average rate of compensation is defined as total purchases during the year divided by total judgemental net export shortfalls as estimated by the Fund. The rate is a weighted average for all countries which draw that particular year. In the case of early purchases, the data for both shortfalls and purchases are those based on partly estimated data for the shortfall year. All shortfall estimates are based on judgemental forecasts for the 24-month period after the shortfall year.
- (c) Refers to new purchases (corresponds to definition in Column (1), Table 4). This is the rate of compensation used by the IMF in its publications and internal documents.
- (d) Refers to net purchases (corresponds to definition in Column (3) Table 4). This is the rate of compensation which we suggest measures much more accurately the extent to which countries are compensated in a particular year.

Source: IMF data.

As can be seen on average the rate of compensation for new purchases (see column (1), Table 6) during the 1976-81 period has been only about 50%; thus, only half of the value of shortfalls (as estimated by the Fund) were compensated. After the 1979 and 1981 decisions, the average rate of compensation for new purchases has increased somewhat; as a result while under the 1975 Decision only 24% of drawings implied 100% rate of compensation, under the 1979 Decision 35% of drawings implied 100% of compensation. However, even during the period 1979-81, of 56 purchases carried out, in 28 (that is

50%) outstanding drawings under the CFF reached the maximum limit (fixed as a percentage of their quota) to which they could draw under the existing regulations. Of these 28, ten of the drawings (that is 36% of those drawings) implied that the country was receiving less than 50% of the estimated shortfalls for that period. ⁽²²⁾ It is particularly serious that in these ten cases - whose countries' drawings were very seriously restricted by the maximum quota limit - six were referred to low income countries (all of them in Sub Saharan Africa). ⁽²³⁾ As is well known these countries' economic performance has been particularly badly affected by the deterioration in the international environment.

It is also noteworthy that, out of the 56 purchases made during the 1977-81 period, another ten implied that outstanding drawings under the CFF reached 50% of quota (that is the limit which allows for less stringent conditionality within the facility). Of these ten purchases, half received less than 50% of their estimated shortfalls for the period. ⁽²⁴⁾ This would seem to show that the higher conditionality of the CFF above 50% of quota has an important influence on country's willingness and ability to compensate fully for their shortfalls by drawing on the CFF.

c. Problems in the measurement of the rate of compensation

As has been discussed, there are several important problems with the Fund's measurement of the rate of compensation. Firstly, if a country has export shortfalls during a certain year, it is still obliged to repay its CFF drawings due to shortfalls in previous years. Therefore, its net purchases under the Facility are smaller than the new purchases; it is the latter which are used by the IMF (see table 6, column (1)) to calculate the rate of compensation.

(22) Based on data provided by the IMF.

(23) A low income country is defined here as one where G.N.P. per capita annual income was US\$ 370 or less in 1979. (Based on 1981 World Bank World Development Report definition).

These countries also all belong to the category of most seriously affected countries, as defined by UNCTAD (see UNCTAD Handbook of International Trade and Development Statistics, Supplement 1981).

(24) Based on data provided by the IMF.

In column (2) of Table 6, we have calculated the rate of compensation for net purchases (where net purchases are defined as new purchases minus repurchases under the CFF, made by those countries that also made CFF purchases during that year). As can be seen in Table 6, this rate of compensation (which measures much more accurately the extent to which countries are compensated in a particular year) is significantly lower than that calculated by the Fund.

Secondly, after the 1979 Decision, the method of calculating the shortfall was modified, as the trend value used was changed from an arithmetic average to a geometric one. As the latter necessarily implies that estimated shortfalls are always either lower or equal to those calculated with an arithmetic average, comparisons with pre-1979 rates of compensation necessarily over estimate the increase in post-1979 rates of compensation.

Finally, as discussed above, the Fund estimates export shortfalls in nominal terms whereas there seems to be a clearly convincing case for the use of estimating shortfalls in relation to the real purchasing power of exports.

d. The CFF and developing countries' financing needs

Until now we have evaluated the performance of the CFF in a relatively isolated manner. In this section, we will turn, albeit briefly, to the broader issues of developing countries' financing needs and their link with the CFF.

As is increasingly recognised, ⁽²⁵⁾ the world economy is currently in one of its deepest and longest recessions since World War II. Furthermore, the prospects for a sustained recovery in the industrial countries continue to be dim. World recession (and particularly stagnation in industrial countries) has a major negative impact on developing countries' growth prospects; to a larger extent than in previous periods, developing countries Balance of Payments current account deficits are

(25) See, recently published 1982 Annual Reports of the four major international institutions dealing with finance and trade: IMF, World Bank, UNCTAD, BIS.

strongly conditioned by the simultaneous unfavourable evolution of factors outside their control such as a dramatic deterioration in their terms of trade, slower growth or stagnation of export volumes and an increase in the real interest rates at which they service their debts.

Such large current account deficits have been financed with increasing difficulty particularly since the beginning of the eighties, as official flows are seriously constrained by some of the major industrial countries' attitudes and as private multinational banks are increasingly reluctant to lend to developing countries to the same extent as in the seventies.

To the extent that current account deficits of developing countries have not been sufficiently financed, they have led to slower rates of growth or even declines in outputs.⁽²⁶⁾ It is of particular concern that some of the worst deterioration in economic performance (largely, though not only, resulting from external financial constraints) has occurred in some of the poorest developing countries.

During the mid and late seventies several forms of low conditionality or unconditional liquidity were provided by the Fund to developing countries. In 1975 and 1976, the Oil Facility compensated countries for the higher prices of their oil imports; when the price of oil rose again in 1979/80, the Oil Facility was not re-introduced, and therefore oil-importing developing countries were not able to draw on this low conditionality facility. Furthermore, since 1982 there will be no more loans under the Trust Fund, which also had low conditionality, as well as concessionary terms for eligible low income countries. The large expansion of Fund lending under stand-by and extended fund facility arrangements since 1980 has occurred, in a much greater proportion than in the mid-seventies, in the upper credit tranches; it has therefore implied high conditionality. As a result of these trends, the proportion of high conditionality lending in total Fund credit has increased dramatically since the mid-seventies; while in the mid seventies approximately one

(26) For a clear presentation of this link during the seventies, see Dell, S. and Lawrence R. The Balance of Payments Adjustment Process in Developing Countries 1980. New York. Pergamon Press.

third of the resources provided by the Fund to member countries were made available on terms involving a high degree of conditionality, during 1980 and 1981 this share rose drastically as more than three fourths of the Fund's financial commitments were made in support of programs involving high conditionality.⁽²⁷⁾ Finally, there has been no addition to the stock of unconditional liquidity after the last SDR allocation in 1981.

Under current arrangements, the CFF is the only major IMF low conditionality facility. Given that there is widespread recognition that a large proportion of developing countries' current account deficits are currently attributable to circumstances beyond their control, it would therefore seem clearly justified to increase the proportion of Fund low conditionality lending from its' very low level, so as to maintain a proper balance between low and high conditionality lending. Measures to improve and expand the CFF would have the advantage that they could be implemented with great speed, thus promptly increasing the low conditional finance available to developing countries. Naturally they could be complementary to other mechanisms of expanding low conditional or unconditional liquidity.

(27) Source: IMF World Economic Outlook Washington D.C. 1982

III Detailed analysis of CFF under 1979 Decision

a. Volume and concentration of CFF drawings

Since the 1979 decision on the CFF began to be implemented (August 1979) till June 1982, 50 countries have drawn on this facility (out of a total of 146 IMF member countries⁽²⁸⁾). Of the 50 countries which drew on the CFF (see Table 7 and Appendix 1), 48 were classified as developing, only one (Romania) was classified as socialist, and only one (Yugoslavia) was classified as a developed market economy. If countries are classified according to levels of income (See Table 12), of the 50 countries which drew, 24 had per capita income below \$500 in 1978 and only 9 had a per capita income above US\$1,000 in 1978,⁽²⁹⁾ these 9 countries, with relatively higher per capita income, concentrated however a significant proportion of the purchases (see Table 12).

During the August 1979 - June 1982 period, the total of Gross or New Purchases under the CFF was equal to 3,338.6 million SDRs; the total of Net Purchases (New Purchases minus Repayments, of those countries which purchased during that particular year) was equal to 2,823.6 million SDRs (see again Table 7).

Drawings on the CFF were rather heavily concentrated in a few countries. Thus, only 7 countries got about half of the drawings (these 7 countries received 47% of gross drawings). The 7 countries which concentrated such a high proportion of CFF drawings were: Yugoslavia, Romania, India, Morocco, Malaysia, South Korea and Thailand. With the exception of India, all these countries had an income per capita above US\$500 in 1978. None of the seven countries which concentrated such a high

28. Source: 1982 IMF Annual Report.

29. For country classification used in this section, we have followed that of UNCTAD Handbook of Industrial Trade and Development Statistics Supplement 1981, New York 1982.

proportion of the CFF drawings belonged to the least developed country category (for country details, see Appendix 1).

b. Rate of compensation, by category of countries

The rate of compensation for different categories of countries is summarised in Table 7 (the annual analysis can be seen in Tables 8-11). As discussed in Section II c, the revised rate of compensation (which compares net drawings with shortfalls) is significantly lower than the IMF rate of compensation (which compares only gross or new drawings with shortfalls). The difference between both rates is larger for some categories (i.e. socialist countries, that is Romania) and least developed, because in those cases countries which drew were also repaying significant sums for drawings made in previous years; the difference between both rates became much larger since 1979 (see Table 6).

Looking at the revised rate of compensation for different categories of countries in Table 7, it can be seen that for the 1979-82 period, the lowest rate occurred for the socialist country (Romania), which had only 34% of shortfalls compensated, and for the least developed countries, which had only 36% of their shortfalls compensated. In fact the least developed countries had 13.6% of estimated shortfalls, but only 9.3% of net purchases (see again Table 7). The fact that least developed countries have a lower rate of compensation may be linked to the fact that quota limitations act as the main constraint to CFF drawings, and that quotas do not adequately reflect the larger fluctuations in export earnings which seem to characterise least developed countries as their exports are more dependent than those of other countries (i.e. exporters of manufactures) on a limited number of commodities.

The highest revised rate of compensation was for the category of developing country, exporter of manufactures (which in fact only includes Korea). This category (and country) had a rate of 84%. The category of developed market economies (which for this period

included only Yugoslavia, perhaps not the clearest example either of developed or market economy!) also had a high rate of compensation, equal to 73%. It is interesting to point out that the category "remaining" developing countries (which includes developing countries, that are neither major oil exporters, exporters of manufactures or least developed) with less than US\$500 income per annum in 1978 also had a very high rate of compensation; the high rate of compensation in this category is largely explained by the large weight of Indian drawings in 1980 (see Appendix 1, Table 1.B) which had a 100% compensation rate.

In fact, as can be seen in Table 12, the revised rate of compensation for low-income countries (with income below US\$500 per capita per annum in 1978) was somewhat higher than for countries with higher income per capita; furthermore, the revised rate of compensation for middle income countries (between \$500-\$1,000 in 1978) was slightly higher than that for high per capita income (above \$1,000 in 1978).

As regards the evolution of the revised rate of compensation, it is evident from Tables 8 to 11 that this rate increased in 1980, declined quite significantly in 1981, and increased again rather substantially during 1982. The latter development can be largely attributed to the 1981 Decision which allows countries to be compensated also for cereal import excesses and which increases the total maximum drawing (if there is both an export shortfall and a cereal import excess) to 125% of quota. This development again illustrates the fact that increases in the maximum limit of total outstanding CFF drawings (as % of countries' IMF quotas) tends to raise the rate of compensation.

c. Analysis of outstanding CFF drawings

It is important to note that the constraints for maximum drawing (of quota limits) have become rather binding for many countries. Thus, as can be seen in Appendix², of the 56 developing countries which had loans outstanding at the end of July 1982, 18 countries - or about one third - had already either reached their quota limit or were within 20 per cent of it; this eliminates, for those countries, the possibility of making further drawings soon unless either quota limits increase significantly and/or quotas increase substantially.

As can be seen in Appendix 2, there have been important differences in the use of the CFF according to geographical areas. Thus, at the end of July 1982, the African energy-importing countries had drawn up to 55% of their total Fund quotas; furthermore, most of the large African countries had drawn on the CFF. On the other hand, the countries of the Western Hemisphere had at the end of July 1982 a very low ratio of outstanding CFF drawings to Fund quotas; furthermore, at that date, it was mainly the smaller countries of Central America which had been drawing on the CFF; none of the large South American countries had CFF drawings outstanding at that time. An intermediate position is found in the Asian continent, where many countries (including most of the largest ones) have drawn, but where the average ratio of outstanding CFF drawings to Fund quotas (of 33.6%) is significantly lower than for Africa.

d. Brief conclusions

From an analysis of the CFF under the 1979 Decision, it can be concluded that:

- 1) The CFF has - as originally intended - been used almost exclusively by developing countries.
- 2) Although a rather large number of countries (50) have drawn on the Facility since August 1979 drawings have been rather

heavily concentrated (7 countries received almost half the purchases).

- 3) The Facility was much more widely used in certain geographical areas (i.e. Africa) than in others (i.e. Western Hemisphere). Recent reports in the press indicate however that Western Hemisphere countries (i.e. Brazil) may begin to make larger use of the Facility.
- 4) The revised rate of compensation (which compares net drawings with shortfalls) is significantly lower than the IMF rate of compensation, particularly since 1979.
- 5) The rate of compensation is highest for the category of exporter of manufactures and developed market economy (although both categories cover only one country). The rate of compensation is lowest for the category of least developed country. However, if countries are classified by level of income, the highest rate of compensation (in this period) was for those countries with the lowest income.
- 6) The constraints for maximum drawing (as % of quota limit) have recently become rather binding for many countries. This is particularly true for several of the energy importing countries of Africa. This element would naturally restrict seriously the possibility for such countries of making further CFF drawings in the near future, unless quota limits increase significantly and/or quotas increase substantially.

Table 7

ANALYSIS OF PERFORMANCE OF COMPENSATORY FUND FACILITIES UNDER 1979 DECISION¹
 PERIOD 1979-1982 (*)
 (Values in millions of SDRs)

CATEGORIES OF COUNTRIES	NUMBER OF COUNTRIES	(1) SHORT FALL		(2) GROSS PURCHASES		(3) NET PURCHASES		(4) = (2) ÷ (1) IMF RATE OF COMPENSATION	(5) = (3) ÷ (1) REVISED RATE OF COMPENSATION
		Value	%	Value	%	Value	%		
TOTAL	50	5,378.0	100.0	3,388.6	100.0	2,882.8	100.0	0.63	0.54
1. DEVELOPED MARKET ECONOMIES	1	190.5	3.5	138.5	4.1	138.5	4.8	0.73	0.73
2. SOCIALIST ECONOMIES	1	588.2	10.9	290.8	8.6	201.7	7.0	0.49	0.34
3. DEVELOPING	48	4,599.3	85.6	2,959.3	87.3	2,542.6	88.2	0.64	0.55
of which									
A. Exporters of manufactures	1	316.2	5.9	266.2	7.9	266.2	9.2	0.84	0.84
a. Income p.c. above \$1000	1	316.2	5.9	266.2	7.9	266.2	9.2	0.84	0.84
b. Income p.c. between \$500-\$1000	-	-	-	-	-	-	-	-	-
c. Income p.c. below \$500	-	-	-	-	-	-	-	-	-
B. Least developed	15	732.5	13.6	425.5	12.6	320.7	11.1	0.58	0.44
a. Income p.c. above \$1000	-	-	-	-	-	-	-	-	-
b. Income p.c. between \$500-\$1000	2	220.7	4.1	105.5	3.1	60.0	2.1	0.48	0.27
c. Income p.c. below \$500	13	511.8	9.5	320.0	9.4	260.7	9.0	0.63	0.51
C. Remaining	32	3,550.6	66.0	2,267.6	66.9	1,955.7	67.8	0.64	0.55
a. Income p.c. above \$1000	6	1,081.7	20.1	508.3	15.0	418.4	14.5	0.47	0.39
b. Income p.c. between \$500-\$1000	15	1,638.9	30.5	1,108.0	32.7	928.8	32.2	0.68	0.57
c. Income p.c. below \$500	11	830.0	15.4	651.3	19.2	608.5	21.1	0.78	0.73

(*) Up to June 1982

I thank Mr. L. Alcorta for helping compile this and following Tables

Source: IMF data

Table 8

ANALYSIS OF PERFORMANCE OF COMPENSATORY FUND FACILITIES UNDER 1979 DECISION
YEAR 1979

(Values in millions of SDRs)

CATEGORIES OF COUNTRIES	NUMBER OF COUNTRIES	(1) SHORTFALL		(2) GROSS PURCHASES		(3) NET PURCHASES		(4) = (2) ÷ (1) IMF RATE OF COMPENSATION	(5) = (3) ÷ (1) REVISED RATE OF COMPENSATION
		Value	%	Value	%	Value	%		
TOTAL	12	492.3	100.0	315.8	100.0	272.2	100.0	0.64	0.55
1. DEVELOPED MARKET ECONOMIES	—	—	—	—	—	—	—	—	—
2. SOCIALIST ECONOMIES	—	—	—	—	—	—	—	—	—
3. DEVELOPING	12	492.3	100.0	315.8	100.0	272.2	100.0	0.64	0.55
of which									
A. Exporters of manufactures	—	—	—	—	—	—	—	—	—
a. Income p.c. above \$1000	—	—	—	—	—	—	—	—	—
b. Income p.c. between \$500-\$1000	—	—	—	—	—	—	—	—	—
c. Income p.c. below \$500	—	—	—	—	—	—	—	—	—
B. Least developed	5	215.2	43.7	105.5	33.4	91.5	33.6	0.49	0.43
a. Income p.c. above \$1000	—	—	—	—	—	—	—	—	—
b. Income p.c. between \$500-\$1000	1	99.5	20.2	36.0	11.4	22.0	8.1	0.36	0.22
c. Income p.c. below \$500	4	115.7	23.5	69.5	22.0	69.5	25.5	0.60	0.60
C. Remaining	7	277.1	56.3	210.3	66.6	180.7	66.4	0.76	0.65
a. Income p.c. above \$1000	2	80.7	16.4	52.3	16.6	46.7	17.2	0.65	0.58
b. Income p.c. between \$500-\$1000	3	76.1	15.5	68.5	21.7	68.5	25.2	0.90	0.90
c. Income p.c. below \$500	2	120.3	24.5	89.5	28.3	65.5	24.1	0.74	0.54

Source: IMF data

Table 9

ANALYSIS OF PERFORMANCE OF COMPENSATORY FUND FACILITIES UNDER 1979 DECISION
YEAR 1980

(Values in millions of SDRs)

CATEGORIES OF COUNTRIES	NUMBER OF COUNTRIES	(1) SHORTFALL		(2) GROSS PURCHASES		(3) NET PURCHASES		(4) = (2) ÷ (1) IMF RATE OF COMPENSATION	(5) = (3) - (1) REVISED RATE OF COMPENSATION
		Value	%	Value	%	Value	%		
TOTAL	15	1,294.2	100.0	980.5	100.0	781.8	100.0	0.76	0.60
1. DEVELOPED MARKET ECONOMIES	1	190.5	14.7	138.5	14.1	138.5	17.7	0.73	0.73
2. SOCIALIST ECONOMIES	1	159.6	12.3	121.3	12.4	61.2	7.8	0.76	0.38
3. DEVELOPING	13	944.1	72.9	720.7	73.5	582.1	74.5	0.76	0.62
of which									
A. Exporters of manufactures	1	210.0	16.2	160.0	16.3	160.0	20.5	0.76	0.76
a. Income p.c. above \$1000	1	210.0	16.2	160.0	16.3	160.0	20.5	0.76	0.76
b. Income p.c. between \$500-\$1000	-	-	-	-	-	-	-	-	-
c. Income p.c. below \$500	-	-	-	-	-	-	-	-	-
B. Least developed	5	170.0	13.1	77.4	7.9	35.1	4.5	0.46	0.21
a. Income p.c. above \$1000	-	-	-	-	-	-	-	-	-
b. Income p.c. between \$500-\$1000	1	73.5	5.7	21.8	2.2	0.0	0.0	0.30	0.0
c. Income p.c. below \$500	4	96.5	7.5	55.6	5.7	35.1	4.5	0.58	0.36
C. Remaining	7	564.1	43.6	483.3	49.3	387.0	49.5	0.86	0.69
a. Income p.c. above \$1000	1	132.8	10.3	71.6	7.3	17.7	2.3	0.54	0.13
b. Income p.c. between \$500-\$1000	2	107.4	8.3	99.6	10.2	60.4	7.7	0.93	0.56
c. Income p.c. below \$500	4	323.9	25.0	312.1	31.8	308.9	39.5	0.96	0.95

Source: IMF data

Table 10

ANALYSIS OF PERFORMANCE OF COMPENSATORY FUND FACILITIES UNDER 1979 DECISION
YEAR 1981

(Values in millions of SDRs)

CATEGORIES OF COUNTRIES	NUMBER OF COUNTRIES	(1) SHORTFALL		(2) GROSS PURCHASES		(3) NET PURCHASES		(4) = (2) - (1) IMF RATE OF COMPENSATION	(5) = (3) - (1) REVISED RATE OF COMPENSATION
		Value	%	Value	%	Value	%		
TOTAL	29	2,474.4	100.0	1,242.7	100.0	1,016.5	100.0	0.50	0.41
1. DEVELOPED MARKET ECONOMIES	—	—	—	—	—	—	—	—	—
2. SOCIALIST ECONOMIES	1	428.6	17.3	169.5	13.6	140.5	13.8	0.40	0.33
3. DEVELOPING	28	2,045.8	82.7	1,073.2	86.4	876.0	86.2	0.52	0.43
of which									
A. Exporters of manufactures	—	—	—	—	—	—	—	—	—
a. Income p.c. above \$1,000	—	—	—	—	—	—	—	—	—
b. Income p.c. between \$500-\$1,000	—	—	—	—	—	—	—	—	—
c. Income p.c. below \$500	—	—	—	—	—	—	—	—	—
B. Least developed	11	287.3	11.6	182.6	14.7	134.1	13.2	0.64	0.42
a. Income p.c. above \$1,000	—	—	—	—	—	—	—	—	—
b. Income p.c. between \$500-\$1,000	2	47.7	1.9	47.7	3.8	38.0	3.7	1.00	0.80
c. Income p.c. below \$500	9	239.6	9.7	134.9	10.9	96.1	9.5	0.56	0.40
C. Remaining	17	1,758.5	71.1	890.6	71.7	741.9	73.0	0.51	0.42
a. Income p.c. above \$1,000	4	853.2	34.5	370.9	29.8	340.5	33.5	0.43	0.40
b. Income p.c. between \$500-\$1,000	8	819.5	33.1	444.3	35.8	334.5	32.9	0.54	0.41
c. Income p.c. below \$500	5	85.8	3.5	75.4	6.1	66.9	6.6	0.88	0.78

Source: IMF data

Table 11

ANALYSIS OF PERFORMANCE OF COMPENSATORY FUND FACILITIES UNDER 1979 DECISION
 YEAR 1982 (*)
 (Value in millions of SDRs)

CATEGORIES OF COUNTRIES	NUMBER OF COUNTRIES	(1) SHORTFALL		(2) GROSS PURCHASES		(3) NET PURCHASES		(4) = (2) ÷ (1) IMF RATE OF COMPENSATION	(5) = (3) ÷ (1) REVISED RATE OF COMPENSATION
		Value	%	Value	%	Value	%		
TOTAL	10	1,117.1	100.0	849.6	100.0	812.3	100.0	0.76	0.73
1. DEVELOPED MARKET ECONOMIES	—	—	—	—	—	—	—	—	—
2. SOCIALIST ECONOMIES	—	—	—	—	—	—	—	—	—
3. DEVELOPING	10	1,117.1	100.0	849.6	100.0	812.3	100.0	0.76	0.73
of which									
A. Exporters of manufactures	1	106.2	9.5	106.2	12.5	106.2	13.1	1.00	1.00
a. Income p.e. above \$1000	1	106.2	9.5	106.2	12.5	106.2	13.1	1.00	1.00
b. Income p.e. between \$500-\$1000	—	—	—	—	—	—	—	—	—
c. Income p.e. below \$500	—	—	—	—	—	—	—	—	—
B. Least developed	1	60.0	5.4	60.0	7.1	60.0	7.4	1.00	1.00
a. Income p.e. above \$1000	—	—	—	—	—	—	—	—	—
b. Income p.e. between \$500-\$1000	—	—	—	—	—	—	—	—	—
c. Income p.e. below \$500	1	60.0	5.4	60.0	7.1	60.0	7.4	1.00	1.00
C. Remaining	8	950.9	85.1	683.4	80.4	646.1	79.5	0.72	0.68
a. Income p.e. above \$1000	1	15.0	1.3	13.5	1.6	13.5	1.7	0.90	0.90
b. Income p.e. between \$500-\$1000	4	635.9	56.9	495.6	58.3	465.4	57.3	0.78	0.73
c. Income p.e. below \$500	3	300.0	26.9	174.3	20.5	167.2	20.6	0.58	0.56

(*) January - June

Source: IMF data

Table 12

ANALYSIS OF PERFORMANCE OF COMPENSATORY FUND FACILITIES UNDER 1979 DECISION
 BY LEVEL OF INCOME - PERIOD 1979-1982 (*)
 (Values in millions of SDRs)

CATEGORIES OF COUNTRIES	NUMBER OF COUNTRIES	(1) SHORTFALL		(2) GROSS PURCHASES		(3) NET PURCHASES		(4) = (2) ÷ (1) IMF RATE OF COMPENSATION	(5) = (3) ÷ (1) REVISED RATE OF COMPENSATION
		Value	%	Value	%	Value	%		
TOTAL	50	5,378.0	100.0	3,388.6	100.0	2,882.8	100.0	0.63	0.53
1. Income p.c. above \$1000 ^(**)	9	2,176.6	40.5	1,203.8	35.5	1,024.8	35.5	0.55	0.47
2. Income p.c. between \$500-\$1000	17	1,859.6	34.6	1,213.5	35.8	988.8	34.3	0.65	0.53
3. Income p.c. below \$500	24	1,341.8	24.9	971.3	28.7	869.2	30.2	0.72	0.65

(*) Up to June 1982

(**) Includes Yugoslavia & Rumania

Source: IMF data

Appendix No.2Outstanding CFF drawings as a proportion of countries'
IMF quotas, end July 1982, for developing countries (a)

1. <u>Net energy exporting countries</u>	<u>8.5</u>
Algeria	0
Bahrain	0
Bolivia	11.1
Congo	0
Ecuador	0
Egypt	0
Gabon	0
Indonesia	0
Malaysia	50.0
Mexico	0
Nigeria	0
Oman	0
Peru	96.9
Syria	0
Trinidad-Tobago	0
Tunisia	0
Cameroon	0
Venezuela	0
2. <u>Net energy importers</u>	<u>31.6</u>
a. <u>Africa</u>	<u>54.5</u>
Benin	0
Botswana	0
Burundi	27.5
Cape Verde	0

Net energy importersAfrica (continued)

C.A.R.	37.5
Chad	29.6
Comoros	0
Djibouti	0
Equatorial Guinea	70.0
Ethiopia	100.0
Gambia	92.1
Ghana	0
Guinea	0
Guinea-Bissau	48.4
Ivory Coast	100.0
Kenya	125.1
Lesotho	0
Liberia	49.6
Madagascar	100.0
Malawi	72.0
Mali	12.6
Mauritania	41.1
Morocco	117.5
Niger	0
Rwanda	0
Sao Tome Principe	0
Senegal	87.5
Seychelles	0
Sierra Leone	0
Somalia	0
Sudan	77.8
Swaziland	0
Tanzania	58.9
Togo	0
Uganda	100.0
Upper Volta	0
Zaire	46.9
Zambia	39.6
Zimbabwe	0

Net energy importers

b. <u>Asia</u> (continued)	<u>33.6</u>
Afghanistan	0
Bangladesh	47.4
Bhutan	0
Burma	0
Fiji	50.0
India	15.5
Kampucheu	50.0
Korea	104.0
Laos People's Dem. Republic	0
Maldives	0
Nepal	53.4
Pakistan	42.1
Papua New Guinea	100.0
Philippines	43.7
Singapore	0
Solomon Islands	0
Sri Lanka	36.1
Thailand	81.2
Vanuatu	0
Vietnam	0
Western Samoa	62.4
c. <u>Europe</u>	<u>30.4</u>
Cyprus	14.5
Malta	0
Turkey	33.2
d. <u>Middle East</u>	<u>9.8</u>
Israel	14.7
Jordan	0
Lebanon	0
Yemen	0
Yemen, People's Republic	0

Net energy importers (continued)

e. <u>Western Hemisphere</u>	<u>13.3</u>
Antigua and Barbuda	0
Argentina	0
Bahamas	0
Barbados	0
Belize	0
Brazil	0
Chile	0
Colombia	0
Costa Rica	82.2
Dominica	100.0
Dominican Republic	49.1
El Salvador	100.0
Grenada	31.2
Guatemala	100.0
Guyana	37.0
Haiti	49.2
Honduras	45.2
Jamaica	71.9
Nicaragua	33.3
Panama	0
Paraguay	0
St. Lucia	50.0
St. Vincent	50.7
Surinam	0
Uruguay	43.9
<u>Total developing countries</u>	<u>24.2</u>

(a) Refers to all developing countries, except major oil exporters.

Source: United Nations data.

Appendix 1

Table 1.A

Analysis of Performance of CFF under 1979 Decision, in 1979, by country, classified according to export status, and income category (value in million SDR's)

Categories of Countries	(1) Shortfall	(2) Gross Purchases	(3) Net Purchases
Total	492.3	315.8	272.2
1. Developed market economies	-	-	-
2. Socialist	-	-	-
3. Developing	492.3	315.8	272.2
of which			
A. Exporters of manufactures	-	-	-
B. Least developed	215.2	105.5	91.5
a. above \$1,000	-	-	-
b. \$500 - \$1000	99.5	36.0	22.0
SUDAN	99.5	36.0	22.0
c. below \$500	115.7	69.5	69.5
UGANDA	59.3	5.0	5.0
BURUNDI	9.5	9.5	9.5
MALAWI	11.3	19.0	19.0
ETHIOPIA	35.6	36.0	36.0
C. Remaining	277.1	210.3	180.7
a. above \$1,000	80.7	52.3	46.7
JAMAICA	38.8	31.8	26.2
COSTA RICA	41.9	20.5	20.5
b. \$500 - \$1000	76.1	68.5	68.5
NICARAGUA	22.9	34.0	34.0
DOMINICAN REP	51.7	33.5	33.5
DOMINICA	1.5	1.0	1.0
c. below \$500	120.3	89.5	65.5
KENYA	99.8	69.0	45.0
LIBERIA	20.5	20.5	20.5

Source: IMF data.

Table 1.B

Analysis of Performance of CFF under 1979 Decision in 1980, by country, classified according to export status and income category (value in million SDR's)

Categories of Countries	(1) Shortfall	(2) Gross Purchases	(3) Net Purchases
Total	1,294.2	980.5	781.8
1. Developed market economies	190.5	138.5	138.5
(4) Yugoslavia	190.5	138.5	138.5
2. Socialist	159.6	121.3	61.2
Rumania	159.6	121.3	61.2
3. Developing	944.1	720.7	582.1
of which			
A. Exporters of manufactures	210.0	160.0	160.0
a. above \$1000	210.0	160.0	160.0
KOREA	210.0	160.0	160.0
b. \$500 - \$1000	-	-	-
c. below \$500	-	-	-
B. Least developed	170.0	77.4	35.1
a. above \$1000	-	-	-
b. \$500 - \$1000	73.5	21.8	0.0
SUDAN	73.5	21.8	0.0
c. below \$500	96.5	55.6	35.1
UGANDA	64.2	25.0	15.0
MALI	5.1	5.1	5.1
NEPAL	12.2	10.5	10.5
TANZANIA	15.0	15.0	4.5
C. Remaining	564.1	483.3	387.0
a. above \$1000	132.8	71.6	17.7
TURKEY	132.8	71.6	17.7
b. \$500 - \$1000	107.4	99.6	60.4
GUYANA	14.1	6.3	4.6
PHILIPPINES	93.3	93.3	55.8
c. below \$500	323.9	312.1	308.9
MAURITANIA	22.3	10.5	7.3
MADAGASCAR	29.2	29.2	29.2
EQUAT. GUINEA	6.4	6.4	6.4
INDIA	266.0	266.0	266.0

Source:
IMF data.

Table 1.C

Analysis of Performance of CFF under 1979 Decision, in 1981, by country, classified according to export status and income category (value in million SDR's)

Categories of Countries	(1) Shortfall	(2) Gross Purchases	(3) Net Purchases
Total	2,474.4	1,242.7	1,016.5
1. Developed market economies	-	-	-
2. Socialist	428.6	169.5	140.5
RUMANIA	428.6	169.5	140.5
3. Developing	2,045.8	1,073.2	876.0
of which			
A. Exporters of manufactures	-	-	-
B. Least developed	287.3	182.6	134.1
a. above \$1000	-	-	-
b. \$500 - \$1000	47.7	47.7	38.0
SAMOA WESTERN	2.0	2.0	1.2
SUDAN	45.7	45.7	36.8
c. below \$500	239.6	134.9	96.1
CHAD	12.1	7.1	2.2
CENTRAL AFRICAN REP	9.0	9.0	7.6
ETHIOPIA	36.5	18.0	18.0
TANZANIA	15.9	15.9	5.4
UGANDA	123.0	45.0	35.0
GAMBIA, THE	12.1	9.0	9.0
GUINEA-BISSAU	2.0	1.9	1.9
MALAWI	12.0	12.0	0.0
HAITI	17.0	17.0	17.0
C. Remaining	1,758.5	890.6	741.9
a. above \$1000	853.2	370.9	340.5
JAMAICA	64.4	37.0	6.6
COSTA RICA	30.1	30.1	30.1
IVORY COAST	358.7	114.0	114.0
MALAYSIA	400.0	189.8	189.8
b. \$500 - \$1000	819.5	444.3	334.5
DOMINICA	4.5	2.0	1.9
ST. LUCIA	4.0	2.7	2.7
MAURITIUS	54.6	40.5	29.5
THAILAND	309.3	186.0	118.6
EL SALVADOR	32.3	32.3	32.3
ZAMBIA	256.7	59.3	28.0
PAPUA - NEW GUINEA	65.1	45.0	45.0
GUATEMALA	93.0	76.5	76.5
c. Remaining			
c. below \$500	85.8	75.4	66.9
(4) GRANADA	2.1	2.1	2.1
(5) ST. VINCENT	2.9	1.3	1.3
(7) EQUAT GUINEA	4.7	4.7	4.1
(16) SRI LANKA	25.3	25.3	17.4
(21) SENEGAL	50.8	42.0	42.0

Source: IMF data

Table 1.D

Analysis of Performance of CFF under 1979 Decision, in 1982, by country, classified according to export status and income category (value in million SDR's)

Categories of Countries	(1) Shortfall	(2) Gross Purchases	(3) Net Purchases
Total	1,117.1	849.6	812.3
1. Developed market economies	-	-	-
2. Socialist	-	-	-
3. Developing	1,117.1	849.6	812.3
of which			
A. Exporters of manufactures	106.2	106.2	106.2
a. above \$1000	106.2	106.2	106.2
KOREA	106.2	106.2	106.2
b. \$500-\$1000	-	-	-
c. below \$500	-	-	-
B. Least developed	60.0	60.0	60.0
a. above \$1000	-	-	-
b. \$500-\$1000	-	-	-
c. below \$500	60.0	60.0	60.0
BANGLADESH	60.0	60.0	60.0
C. Remaining	950.9	683.4	646.1
a. above \$1000	15.0	13.5	13.5
FIJI	15.0	13.5	13.5
b. \$500-\$1000	635.9	495.6	465.4
HONDURAS	23.3	23.3	23.3
MOROCCO	236.4	236.4	222.4
DOMINICAN REP	74.5	36.0	35.2
PERU	301.7	199.9	184.5
c. below \$500	300.0	174.3	167.2
ZAIRE	214.9	106.9	99.8
KENYA	65.8	60.4	60.4
LIBERIA	19.3	7.0	7.0

Source: IMF data.

(a) Refers to Jan-June 1982.