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December 21, 1982

SECRETARY'S CIRCULAR NO. 82/198

To: Members of the Executive Board

From: The Secretary

Subject: IMF Institute - Report on the Course on Financial Analysis  
and Policy (1982-XI)

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Attached for the information of the Executive Directors is a report on the course on financial analysis and policy, conducted in English by the IMF Institute from July 19 through November 19, 1982.

Att: (1)

Other Distribution:  
Department Heads



INTERNATIONAL MONETARY FUND

IMF INSTITUTE

Report on the Course on Financial Analysis and Policy (1982-XI)

July 19 - November 19, 1982

Introduction

The course on Financial Analysis and Policy, conducted in English, was presented over an 18-week period.

Selection of participants

The IMF Institute received a total of 137 applications for the course on Financial Analysis and Policy which commenced in July 1982. These applications were submitted by 63 member countries and three regional organizations. The Admissions Committee extended invitations to a total of 33 candidates. One withdrawal resulted in 32 participants from the following countries and organizations coming to Washington: Austria, Bangladesh, Brazil, Canada, People's Republic of China, The Gambia, Ghana, India, Iran, Ireland, Italy, Japan, Kenya, Korea, Liberia, Malawi, Malaysia, Malta, Mauritius, Pakistan, Papua New Guinea, Portugal, Sri Lanka, Swaziland, Uganda, United Kingdom, Yugoslavia, Zambia, Zimbabwe, Arab Monetary Fund, Caribbean Development Bank, and the Organization of African Unity (see Attachment I).

In addition, the IMF Institute invited six Arab officials from the following countries: Bahrain, Iraq, Saudi Arabia (3), and United Arab Emirates. For these officials, the Institute provided documents translated into Arabic and simultaneous interpretation.

Organization of the course

During the course 127 sessions were held. These included 63 lectures (as shown in Attachment II), 17 workshops, 32 counseling sessions, 8 case-study sessions, 1 seminar, 5 briefings, and a closing session. Of the total number, 106 sessions were conducted by staff members of the Institute. Valuable assistance was provided by staff members from other departments who conducted 13 sessions; lecturers from outside the Fund conducted 3 sessions. Briefings were given in Washington at the Board of Governors of the Federal Reserve System, and in New York at the Federal Reserve Bank of New York, at Chase Manhattan Bank, and at the United Nations.

### Subject matter of the course

The primary objective of this course is to enhance the participants' understanding of the problems and techniques associated with the short-term financial management of a country. The subject matter and the approach taken were similar to previous Financial Analysis and Policy courses in English. A case study was presented at the first session to stress the practical orientation of the course, to introduce the participants to the kinds of problems which would be studied during the course, and to demonstrate the need for an analytical approach to economic and financial policies. In subsequent sessions, several different subjects designed to provide a statistical and theoretical underpinning for overall financial management were treated concurrently.

A group of lectures dealing with the essentials of macroeconomics was presented. It was followed by a study of the effectiveness of the instruments of monetary, fiscal, and balance of payments policies in achieving economic objectives such as stability and growth.

Also, a series of lectures was given on statistical and econometric methods. These lectures provided the participants with techniques of analyzing empirical data and forecasting; they were also utilized in generating the forecasts required in the workshops. As a part of this orientation, participants were trained in the use of computer terminals.

A series of interrelated workshops using data for Kenya was conducted. These workshops required the arrangement of fiscal, monetary, balance of payments, and flow of funds data in analytically useful formats; the analysis of economic developments; the forecasts for the principal macro-economic aggregates; and finally the design of a financial program.

Participants were assigned to one of four counseling groups, each led by an Institute staff member. Arabic-speaking participants were counseled by an Arabic-speaking staff member. In the early part of the course, the counseling sessions were utilized to foster team spirit, to create an environment in which participants could receive advice on issues arising in the formal sessions of the course, and for the preparation of presentations and workshops. As the course progressed, counseling sessions were held with increasing frequency, and were used as a forum for the discussion of economic development and policy issues in the case-study country, and for the preparation of a financial program.

During the entire course, emphasis was placed on the active involvement of the participants in applied work. In addition to the case study at the beginning of the course, several other case studies were presented that dealt with fiscal management in developing countries, food subsidies, measurement of effective exchange rates, exchange rate changes, and policies dealing with export booms. Parts of several other lectures were offered in the case-study format in order to stimulate interaction by participants and to illustrate underlying principles.

A number of sessions were conducted on selected policy issues. The topics included: monetary policy in a socialist country (presented as a case study); credit versus money as an instrument of control; policies dealing with aggregate supply; recent experience under floating exchange rates; prices, exchange rate, and adjustment in planned economies; and economic outlook for major world areas. In sessions designed to inform the participants of the Fund's policies and practices, emphasis was placed on the current role of the Fund and changes that have been introduced to make the Fund more responsive to the needs of member countries. Origins and uses of Fund resources were discussed, and participants were briefed on the various procedural aspects of the typical member country's relationship with the Fund. A session was held to describe the policies of the World Bank group.

For most sessions, background materials were distributed to the participants in advance of the session. The summaries listed in Attachment III were supplemented, where necessary, by other forms of documentation, such as offprints and articles and Fund reports. The published version of the Financial Policy Workshops: The Case of Kenya was distributed and actively used in the course.

#### Social activities

A reception was held at the Fund on July 22, 1982 to welcome participants and to introduce them to management, members of the Executive Board, and staff.

The participants were entertained at luncheons given by several Executive Directors and by the area departments representing their countries, by the Federal Reserve Board in Washington, and in New York City by the Federal Reserve Bank and the Chase Manhattan Bank. In addition, the Institute organized a number of weekend outings, excursions, and social gatherings at the Concordia building.

Assistance to the participants and their families in adjusting to life in the area was also provided by the Institute staff.

Certificates of attendance were presented to the participants by the Deputy Managing Director at a farewell luncheon held on November 19, 1982.

IMF Institute  
December 1982

## IMF INSTITUTE

Course on Financial Analysis and Policy in English (1982-XI)

July 19 - November 19, 1982

List of Participants

NAME	COUNTRY/ ORGANIZATION	POSITION AND AFFILIATION
1. *ALABBAR, Mohamed Ali	United Arab Emirates	Section Head Bank Supervision Department Central Bank of the United Arab Emirates
2. ALIPUI, Frederick Yao	Organization of African Unity	Economist/Statistician Economic Research and Planning Division Economic Development and Cooperation Department Organization of African Unity Secretariat
3. *AL-JASSER, Muhammad	Saudi Arabia	Budget Researcher Department of Budget and Organization Ministry of Finance and National Economy
4. AL-NASRAWI, Saleh	Arab Monetary Fund	Economist, Research Division Research and Statistics Department Arab Monetary Fund
5. *ALOTAIBI, Obeid Naif	Saudi Arabia	Financial Representative Ministry of Finance and National Economy
6. *AL-SHEROOQI, Mohammed Senan	Bahrain	Economic Researcher Domestic Affairs Division Bahrain Monetary Agency
7. BERVELL, Kodwo	Ghana	Deputy Chief Research Department Bank of Ghana

NAME	COUNTRY/ ORGANIZATION	POSITION AND AFFILIATION
8. BOMFIM, Antonio de Azavedo	Brazil	Cabinet Chief Controlling Division Bank of Brazil, S.A.
9. BYAM, Gerard Anthony Acton	Caribbean Development Bank	Economist, Economics and Programming Department Caribbean Development Bank
10. COOPER, Jean Ross (Miss)	United Kingdom	Assistant Manager Latin America Debt and Export Credit Section Territorial Division Bank of England
11. CUI Guan Bin	China, People's Rep.	Deputy Manager Research Department Bank of China
12. DELIC, Smilja (Miss)	Yugoslavia	Staff Adviser Research Department National Bank of Yugoslavia
13. GORE, George Edward	Canada	International Finance Officer International Organizations Section International Finance Division Department of Finance
14. GUILLAUMIER, Mark Anthony	Malta	Research Officer Research Division Central Bank of Malta
15. ISLAM, Aminul	Bangladesh	Joint Secretary Finance Division Ministry of Finance
16. JANKEE, Hemraz Oopuddhye	Mauritius	Research Officer Research Department Bank of Mauritius
17. JUDGE, Patrick Michael	Ireland	Assistant Principal Central Budget and Economic Policy Division Department of Finance

NAME	COUNTRY	POSITION AND AFFILIATION
18. KAKVAND, Tooraj	Iran	Public Finance Analyst Economic Research Department Bank Markazi Iran
19. KHONYONGWA, Joseph	Malawi	Senior Treasury Economist Economic Affairs Section Ministry of Finance
20. KIM, Chang-Lok	Korea	Deputy Director Life Insurance Division Securities and Insurance Bureau Ministry of Finance
21. MARULLO-REEDTZ, Paolo	Italy	Deputy Chief Money Market Division Research Department Bank of Italy
22. MDLADLA, Thabani Sidwell	Swaziland	Assistant Secretary I Ministry of Finance
23. MLAWA, Morenje	Liberia	Economist, Fiscal Division Bureau of Technical Services Ministry of Finance
24. MWANGI, Francis	Kenya	Senior Superintendent Foreign Investment Exchange Control Department Central Bank of Kenya
25. NAMAKANDO, George Maruza Puteho	Zambia	Assistant Director Research Department Bank of Zambia
26. NAQVI, S.I.H.	India	Deputy Economic Adviser Department of Economic Affairs Ministry of Finance
27. N'GUM, Alieu M.	The Gambia	Principal Planner National Planning, Ministry of Economic Planning and Industrial Development
28. *NOORI, Saleh K. Ali	Saudi Arabia	Head, International Economic Division Economic Research and Statistics Department Saudi Arabian Monetary Agency



NAME	COUNTRY	POSITION AND AFFILIATION
29. RAPAZ, Virgilio Jose	Portugal	Economic Advisor International Economic Studies Research Department Bank of Portugal
30. SUKBAT, Ephraim Balsam	Papua New Guinea	Officer in Charge Domestic Economic Conditions Banking and Finance Department Bank of Papua New Guinea
31. TAKAMATSU, Akira	Japan	Banking and Public Finance Section Domestic Research Division Research and Statistics Department Bank of Japan
32. TAKAWIRA, Isaac George	Zimbabwe	Deputy Secretary Domestic and International Finance Department Ministry of Finance
33. TALAT, Javed	Pakistan	Joint Secretary Budget Wing Ministry of Finance
34. TEO Kee-Tian (Miss)	Malaysia	Senior Economist Economics Department Bank Negara Malaysia
35. *WAISS, Khawla S. (Mrs.)	Iraq	Chief Supervisor Planning and Research Division Directorate General of Budget Ministry of Finance
36. WASSWA-DUNGU, Gervase	Uganda	Assistant Director Research Department Bank of Uganda
37. WESSELY, Wanda (Miss)	Austria	Economist International Division Austrian National Bank
38. ZUHAIR, Abdul Jaleel Mohamed	Sri Lanka	Senior Economist Head, Public Finance Division Economic Research Department Central Bank of Ceylon

\* Participants under the Arabic language arrangement.

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Course on Financial Analysis and Policy in English (1982-XI)

July 19 - November 19, 1982

List of Lecture Topics, Seminars, Case Studies, and Workshops

I. Introduction

Introduction to the Course: A Case Study  
Administrative Arrangements for the Course

II. Analytical Methods

A. Review of Basic Macroeconomic Concepts

The Polak Model: An Introduction to Economic Models  
The LM/IS/FE (2 sessions)  
Determination of Income, Employment and the Price Level

B. Output, Expenditure and Prices

The National Accounts (2 sessions)  
Issues in Inflation Policy  
The Consumption Function  
The Investment Function  
System of Economic Sectors and Flow of Funds Accounts  
Theory of Economic Policy

III. Monetary Policy

Money, Credit, and Interest Rates (2 sessions)  
Interest Rate Policy in Developing Countries  
The Demand for Money--Empirical Results  
A Financial Programming Model  
Transmission Mechanism of Monetary Policy  
Instruments of Monetary Policy (2 sessions)

IV. Fiscal Policy

Fiscal Management in Developing Countries: A Case Study (2 sessions)  
The Budget and Government Financing (2 sessions)  
Food Subsidies in Sri Lanka: A Case Study  
Issues in Tax Policy (2 sessions)  
Government Policies and Income Distribution: Issues and Outcomes  
Issues in Government Expenditure Analysis  
Fiscal Content of Financial Programs Supported by Stand-by  
Arrangements in the Upper Credit Tranches

V. Balance of Payments Policy

Theory of International Trade  
Trade and Payments Restrictions  
Terms of Trade and Effective Exchange Rates  
Adjustment Mechanism in International Payments (2 sessions)  
Exchange Rates and Exchange Arrangements  
Effective Protection and Exchange Rates: Case of Colombia  
External Debt  
Exchange Rate Policy in Botswana: A Case Study  
Balance of Payments Developments and Policy Options: Oil  
Exporting Countries  
Policies Dealing with Export Booms: A Case Study of Burundi

VI. Selected Policy Issues

A Seminar on the Philippines  
Monetary Policy in Socialist Countries: The Case of Yugoslavia  
Credit versus Money as an Instrument of Control  
Policies Dealing with Aggregate Supply  
Recent Experience Under Floating Exchange Rates  
Prices, the Exchange Rate, and Adjustment in Planned Economies  
World Bank Structural Adjustment Program  
Economic Outlook for Major World Areas

VII. Fund's Activities and Policies

Organizational Aspects of the IMF  
The Fund's Code of Conduct  
Origins and Uses of Fund Resources  
Compensatory Financing and Buffer Stock Facilities  
Special Drawing Rights  
Conditionality and Performance Clauses in Stand-by Arrangements  
Performance and Adjustment Under Fund-Supported Programs: The  
Experience of the 1970s  
Evolution of and Prospects for the IMF

VIII. Econometric Analysis

Introduction to Regression  
Regression Analysis--The Least Squares Method (2 sessions)  
Introduction to Computers (2 sessions)  
Regression Analysis--Significance Tests  
Regression Analysis--Correlation and Coefficient of  
Determination  
Multiple Regression (2 sessions)  
Special Aspects of Regression (2 sessions)  
Introduction to Simultaneous Equation Models (2 sessions)  
Forecasting with an Econometric Model

IX. Workshops--Kenya

Monetary Survey  
The Polak Model--An Application  
Government Finance Statistics (2 sessions)  
Balance of Payments Statistics (2 sessions)  
Flow of Funds  
Financial Programming--A Simple Exercise  
Projection of Monetary Aggregates  
Revenue Forecasting (2 sessions)  
Balance of Payments Forecasting  
Financial Programming (5 sessions)

X. Closing Session

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Course on Financial Analysis and Policy in English (1982-XI)

July 19 - November 19, 1982

List of Documents

Summaries

Section 1

INST/82-XI/1-1	Introduction
Supplement 1	Tentative List of Lecture Topics
Supplement 2	Philippines--Brief Description and Questions
INST/82-XI/1-3	Organizational Aspects of the IMF

Section 2

INST/82-XI/2-1	The Polak Model
INST/82-XI/2-2	The National Accounts
INST/82-XI/2-3	The LM/IS Analysis
INST/82-XI/2-4	The Determination of Income, Employment, and the Price Level
INST/82-XI/2-5	Theories of Inflation
Supplement	Trade-Off Between Unemployment and Inflation and Incomes Policy
INST/82-XI/2-6	The Consumption Function
INST/82-XI/2-7	The Investment Function
INST/82-XI/2-8	System of Economic Sectors and Flow of Funds Accounts
INST/82-XI/2-9	Theory of Economic Policy

Section 3

INST/82-XI/3-1	Money, Credit, and Interest Rates
INST/82-XI/3-2	Demand for Money--Empirical Results
INST/82-XI/3-3	A Financial Programming Model
INST/82-XI/3-4	Transmission Mechanism of Monetary Policy
INST/82-XI/3-5	Monetary Targeting and Use of Monetary Policy: Instruments in Selected Member Countries
Supplement 1	Instruments of Monetary Policy; Discount Policy and Open Market Operations
Supplement 2	Instruments of Monetary Policy; Regulation of Bank Liquidity and Bank Lending

Section 4

INST/82-XI/4-1	Fiscal Management in Developing Countries: Case of Zambia
Supplement	The Zambian Experience
INST/82-XI/4-2	The Budget and Government Financing: Analysis of the Overall Fiscal Position
INST/82-XI/4-3	Food Subsidies in Sri Lanka: A Case Study
INST/82-XI/4-4	Objectives and Principles of Taxation
Supplement 1	Tax Structure Developments and Their Relevance for LDCs
Supplement 2	Selected Readings on Issues in Tax Policy
INST/82-XI/4-6	Issues in Government Expenditure Analysis
Supplement	Comparing Government Expenditures Internationally

Section 5

INST/82-XI/5-1	Theory of International Trade
INST/82-XI/5-2	Trade and Payments Restrictions
INST/82-XI/5-3	Terms of Trade and Effective Exchange Rates
INST/82-XI/5-4	Adjustment Mechanism in International Payments
INST/82-XI/5-5	Exchange Rates
INST/82-XI/5-6	Effective Protection and Exchange Rates: The Case of Colombia
INST/82-XI/5-7	External Debt
INST/82-XI/5-8	Exchange Rate Policy in Botswana: A Case Study
INST/82-XI/5-9	Balance of Payments Developments and Policy Options: Oil Exporting Countries
INST/82-XI/5-10	Policy Responses to Windfall Gains in the Export Sector: A Case Study of Burundi

Section 6

INST/82-XI/6-1	Seminar on the Philippines
INST/82-XI/6-2	Monetary Policy in Yugoslavia
INST/82-XI/6-4	Policies Dealing with Aggregate Supply

Section 7

INST/82-XI/7-1	The Fund's Code of Conduct
INST/82-XI/7-2	Origins and Uses of Fund Resources
INST/82-XI/7-4	Special Drawing Rights
INST/82-XI/7-7	Evolution of and Prospects for the IMF

Section 8

INST/82-XI/8-1	)
INST/82-XI/8-2	) Introduction to Regression Results
INST/82-XI/8-3	)
Supplement 1	Basic Review of Statistics
Supplement 2	Mean, Variance, Standard Deviations: Exercises and Answers
Supplement 3	Statistical Estimation: Exercises and Answers
Supplement 4	Hypothesis Testing: Exercises and Answers
INST/82-XI/8-4	Terminal Operation in the IMF Institute
INST/82-XI/8-5	Correlation and Coefficient of Determination
INST/82-XI/8-6	Multiple Regression
INST/82-XI/8-7	Special Aspects of Regression
INST/82-XI/8-8	Introduction to Simultaneous Equation Models
INST/82-XI/8-9	Forecasting with an Econometric Model

Fund Publications

International Monetary Fund, Annual Report 1981 and Annual Report 1982.

\_\_\_\_\_, Articles of Agreement.

\_\_\_\_\_, Balance of Payments Manual, Fourth Edition.

\_\_\_\_\_, Draft Manual on Government Finance Statistics.

\_\_\_\_\_, Finance and Development, June 1982 and September 1982.

\_\_\_\_\_, Financial Policy Workshops: The Case of Kenya, 1981.

\_\_\_\_\_, IMF Survey, "Supplement on the Fund," September 1981;  
"Helsinki Meetings Issue," May 24, 1982; and all issues from July 5,  
1982 through November 15, 1982.

\_\_\_\_\_, International Comparisons of Government Expenditure,  
Occasional Paper 10, April 1982.

\_\_\_\_\_, International Financial Statistics, July 1982,  
September 1982, and November 1982.

\_\_\_\_\_, World Economic Outlook, Occasional Paper 9, June 1982.

Other Fund Documents

a. Pamphlet Series

Gold, Joseph, Special Drawing Rights, Pamphlet No. 13, 1970.

\_\_\_\_\_, The Second Amendment of the Fund's Articles of Agreement, Pamphlet No. 25, 1978.

\_\_\_\_\_, Conditionality, Pamphlet No. 31, 1979.

\_\_\_\_\_, The Legal Character of the Fund's Stand-By Arrangements and Why It Matters, Pamphlet No. 35, 1980.

Goreux, Louis M., Compensatory Financing Facility, Pamphlet No. 34, 1980.

Gutián, Manuel, Fund Conditionality: Evolution of Principles and Practices, Pamphlet No. 38, 1981.

Hooke, A.W., The International Monetary Fund: Its Evolution, Organization, and Activities, Pamphlet No. 37, 1981.

Høst-Madsen, Poul, Macroeconomic Accounts: An Overview, Pamphlet No. 29, 1979.

Polak, J.J., Thoughts on an International Monetary Fund Based Fully on the SDR, Pamphlet No. 28, 1979.

Technical Assistance Services of the International Monetary Fund, Pamphlet No. 30, 1979.

b. Departmental and Staff Memoranda

DM/72/99	Credit vs. Money as an Instrument of Control
DM/81/30	Interest Rate Management
DM/81/50	Fiscal Adjustment in Financial Programs Supported by Stand-by Arrangements in Upper Credit Tranches
DM/82/26	Macroeconomic Performance and Adjustment Under Fund-Supported Programs: The Experience of the Seventies
DM/82/34	Prices, the Exchange Rate and Adjustment in Planned Economies
DM/82/65	Fiscal Adjustment and Fund-Supported Programs, 1971-80
SM/77/65	Kenya: Recent Economic Developments
SM/78/86	Kenya: Recent Economic Developments



Articles, Chapters of Books, and Other Selected Documents

Emminger, Otmar, Exchange Rate Policy Reconsidered, Occasional Paper No. 10, Group of Thirty, New York, 1982.

Nowzad, Bahram, The IMF and Its Critics, Princeton University, Princeton, New Jersey, 1981.

Selowsky, Marcelo, Income Distribution, Basic Needs, and Trade-offs with Growth: The Case of Semi-industrialized Latin American Countries, World Bank Reprint Series, Number 176.

- INST/Doc./52-E            Wong, C.H., "Demand for Money in Developing Countries; Some Theoretical and Empirical Results," Journal of Monetary Economics 3 (1977), North-Holland Publishing Co.
- INST/Doc./111-E        Goreux, Louis M., "The Use of Buffer Stocks," Finance and Development, December 1978.
- INST/Doc./132-E        Branson, William H., "Consumption and Consumer Expenditure," Macroeconomic Theory and Policy, Chapter 10, Harper and Row, 1979.
- INST/Doc./133-E        Chorng-huey Wong and Øystein Pettersen, "Financial Programming in the Framework of Optimal Control," Weltwirtschaftliches Archiv, 1979.
- INST/Doc./177-E        Landell-Mills, Pierre M., "Structural Adjustment Lending: Early Experience," Finance and Development, pp. 17-21, December 1981.
- INST/Doc./181-E        Richard E. Caves and Ronald W. Jones, World Trade and Payments, pp. 302-24, Little, Brown and Company, Third Edition.
- INST/Doc./182-E        "Countries Tackling Large Payments Imbalances Often Need a Medium-Term Adjustment Strategy," IMF Survey, August 30, 1982.