FOR AGENDA

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November 16, 1993

To: Members of the Executive Board

From: The Secretary

Subject: ESAF Successor - Operational Modalities and Program Design Issues

Attached for consideration by the Executive Directors is a paper on the operational modalities and program design issues for an ESAF successor, which is tentatively scheduled for discussion on Monday, November 29, 1993. The summary of the main recommendations appears on pages 18-21.

Ms. Puckahtikom (ext. 38780) or Ms. Christensen (ext. 38397) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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ESAF Successor - Operational Modalities and Program Design Issues

Prepared by the Policy Development and Review Department

(In consultation with Legal, Treasurer's, and other departments)

Approved by Jack Boorman

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I. Introduction

In April 1993, the Executive Board conducted a preliminary review of the operational modalities and funding alternatives for the Enhanced Structural Adjustment Facility (ESAF) successor. 1/ Subsequently, with strong support from the May Interim Committee meeting and after extensive informal consultations with potential contributors, the Executive Board reached agreement in September 1993 on the funding framework, i.e., an extension and enlargement of the ESAF Trust. 2/ Discussions with potential contributors on the amounts and modalities of contributions are well advanced.

The Interim Committee at its September 1993 meeting urged the broadest possible spectrum of contributors among the membership to come forward with early indications of participation, and called on the Executive Board to implement rapidly the agreed framework so as to ensure continuity of ESAF operations after November 30, 1993. For implementation of the ESAF successor, two sets of issues will need to be considered. One relates to the legal decisions needed to put the ESAF successor in place, which will be discussed in a companion paper. The second relates to certain questions regarding ESAF operational modalities and program design that have been raised by Executive Directors in the first two rounds of discussions. These issues are addressed in this paper.

At the April 1993 discussion, the Executive Board agreed to retain for the successor the basic operational modalities of the current ESAF, including eligibility criteria, qualification for assistance, access policy, conditionality, and program monitoring. However, at that time and in an earlier review of the experience under the ESAF, 3/ various suggestions were made relating to certain aspects of these modalities. Section II examines suggestions relating to possible expansion of ESAF eligibility. Section III deals with three program design issues: use of contingency mechanisms, including greater flexibility in reviewing ESAF access in individual cases; greater attention to social safety nets; and greater attention to strengthening the quality of public spending, including reduction of unproductive spending. Section IV focuses on the linkages of technical assistance to program design. Section V provides a summary of the main recommendations.

1/ See Summing Up by the Chairman at EBM/93/46 "Operational Modalities and Funding Alternatives for an ESAF Successor--Preliminary Considerations" (Buff/93/15, 4/2/93) and EBS/93/32 (2/26/93).

2/ Concluding Remarks by the Chairman at EBM/93/135 on "Funding Modalities for the ESAF Successor" (Buff 93/56, 9/17/93), "Further Considerations on the Funding Modalities for the ESAF Successor" (EBS/93/85, 6/3/93), and Statement by the Managing Director on Funding Modalities for the ESAF Successor (Buff 93/55, 9/14/93).

3/ See the Chairman's Summing Up at EBM/93/34 on the Review of Experience Under ESAF-Supported Arrangements (Buff 93/11, 2/12/93).

II. Possible Expansion of Eligibility

ESAF eligibility was expanded in April 1992, through the addition of eleven countries with low per capita incomes (below the IDA operational cutoff of US$740 in 1990 prices) or with somewhat higher per capita incomes that had been made IDA eligible. 1/ Currently, 72 countries are eligible for assistance under the ESAF (Appendix Table 1). 2/ 3/

The Executive Board has agreed that the criteria for eligibility for the ESAF successor should remain as at present--per capita income and taking into account IDA eligibility--but that consideration should be given to the possible expansion of eligibility, based on those criteria. In particular, at the preliminary discussion in April 1993, it was noted that some new Fund members have relatively low incomes--e.g., the poorest among the states of the former Soviet Union (FSU). However, at that time, estimates of their per capita incomes were highly tentative and subject to more than the usual degree of uncertainty. It was thus agreed that their eligibility be considered when firmer per capita income estimates became available.

The group of countries considered for eligibility in this paper comprises the lower income FSU states, the former Yugoslav Republic of Macedonia, and Eritrea (expected to become a Fund member in early 1994). Per capita income estimates for the FSU states were recently made available by the World Bank. 4/ These estimates continue to be regarded as

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1/ See "Expansion of SAF/ESAF Trust Eligibility" (EBS/92/22, 2/11/92). When these eleven countries were made eligible, access for them was expected to be lower, averaging around 60 percent of ninth review quotas because their ESAF arrangements were to rely exclusively on ESAF Trust resources and not also on SDA resources. Under the ESAF successor, this factor would no longer be relevant, and there would be no distinction in access for them.

2/ The Chinese authorities indicated in the context of the discussions on the funding modalities for the ESAF successor that, while remaining eligible, China did not intend to avail itself of the resources under the ESAF successor. China is, therefore, not included in further considerations in this paper.

3/ Eligibility is subject to decision by the Executive Board. Although IDA eligibility is a criterion that is taken into account, decisions in the Bank on IDA eligibility therefore do not have automatic or necessary implications for ESAF eligibility. Currently, all countries, except the Dominican Republic and the Philippines, that are eligible to use ESAF resources are also eligible to receive IDA resources (with some on a blended or limited basis). The Philippines has recently been graduated to IBRD borrower on grounds of creditworthiness. In view of its recent addition to the ESAF and low per capita income (US$770 in 1992 prices), it is suggested that its ESAF-eligibility be retained.

4/ The World Bank "Per Capita Income Guidelines for Operational Purposes" Sec M93-942 (9/9/93).

preliminary and are to be kept under close review by Bank management. According to these estimates, the per capita incomes of two FSU states are below the current IDA operational cutoff (US$805 in 1992 prices) 1/--Tajikistan (US$480) and Armenia (US$780)--and the per capita incomes of four other countries are only slightly above this cutoff--the Kyrgyz Republic (US$810), Georgia (US$850), Uzbekistan (US$860), and Azerbaijan (US$870). 2/ The per capita income estimate for former Yugoslav Republic of Macedonia is US$980 (see Appendix Table 1). For the other nine FSU states, their per capita income estimates are well above the IDA operational cut off, and substantially so in most cases.

On grounds of relative poverty and limited creditworthiness, three of the poorer FSU countries (Armenia, Georgia, and the Kyrgyz Republic) have been made IDA eligible, although it is envisaged that IDA resources would be blended with IBRD resources in these cases. In addition, the Bank management expects to make Tajikistan IDA eligible in due course, in view of its relatively low per capita income and lack of creditworthiness. 3/ As for former Yugoslav Republic of Macedonia, Bank management has decided in principle to make the country IDA eligible once the membership process is finalized (expected in early 1994). 4/ With respect to Eritrea, IDA eligibility is in prospect. For the Fund, making Eritrea eligible for the ESAF successor when it becomes a Fund member would recognize the fact that Eritrea was eligible as part of Ethiopia, which is ESAF eligible. The aggregate quotas of these six countries (other than Eritrea whose quota has not yet been determined) are SDR 333 million, or 2.7 percent of the total quotas of the currently ESAF-eligible members. Although the timing of potential use of ESAF resources by some countries in this group is highly uncertain, it is expected that their potential demands could be accommodated within the current resource target of the ESAF successor.

In light of the above, it is proposed (i) that Armenia, Georgia, the Kyrgyz Republic, and Tajikistan be made eligible for assistance under the ESAF successor, with effect when the ESAF successor becomes effective; and

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1/ Most countries with per capita incomes below the operational cutoff are receiving IDA resources--in a number of cases, these IDA resources are being blended with IBRD resources--whereas most countries with higher per capita incomes are not receiving IDA resources (the exceptions being small island economies in the Caribbean and the Pacific).

2/ On the basis of the Bank staff's estimates, real GDP for three of these countries (Armenia, Georgia, and the Kyrgyz Republic) is projected either to stagnate or to decline further in 1993 in light of the deterioration in the terms of trade, the continued disruption in trade, and (for Armenia and Georgia) civil conflict.

3/ As under normal Bank practices, formal IDA eligibility need not be decided until the first project support for Tajikistan.

4/ Reflecting the sharp ongoing decline in output, former Yugoslav Republic of Macedonia's per capita income in 1993 is projected to fall below the IDA operational cutoff.

(ii) that Eritrea be made eligible for the ESAF successor when it becomes a Fund member, and that former Yugoslav Republic of Macedonia be made eligible when it becomes IDA eligible, with both decisions to be submitted to the Board on a lapse-of-time basis at the appropriate time and after the successor becomes operational. With the addition of these six countries, it is all the more important that the resource target of SDR 5 billion for the ESAF loan account and the subsidy contributions of SDR 1.5 billion be reached or exceeded.

Bank management has decided that Uzbekistan and Azerbaijan are creditworthy for limited use of IBRD resources, 1/ although the current estimates of GDP indicate low levels of per capita income. These estimates are very tentative, and the situation of these countries should be kept under close review. The likelihood that they will adopt medium-term ESAF-type programs in the near future is low and there appears to be little practical urgency to a decision on eligibility. Accordingly, the Board may wish to reconsider the question of eligibility when better data are available and/or if the Bank takes action with regard to their IDA eligibility.

For four other new Fund members, no per capita income estimates are currently available--Micronesia, San Marino, Marshall Islands, and Croatia; the case for the possible eligibility of some of these members may need to be revisited in due course. In addition, the staff understands that IDA eligibility for Cameroon might be considered. As noted earlier, the other nine FSU states have per capita incomes well above the IDA operational cutoff, and have been declared creditworthy for IBRD resources. On the basis of currently available information on per capita incomes, at this time there would thus appear to be no other countries that might be potentially eligible for the ESAF successor.

III. Program Design Issues

At the April 1993 discussion, Directors agreed that as regards conditionality, programs supported by the ESAF successor would continue to be set in a three-year framework and would aim at promoting, in a balanced manner, both balance of payments viability and growth. Drawing on the experience under the ESAF so far, programs would be expected to accelerate progress toward external viability and to feature, in particular, firm discipline in fiscal and monetary policies and a heightened focus on structural reforms. Early attention is to be given to those critical areas in which reforms have proven particularly difficult and slow--such as in

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1/ This determination reflects the Bank's assessment of the countries' medium-term economic prospects and, in particular, the view that over the medium term, under appropriate policies and given their natural resource endowments, these countries have a relatively stronger capacity for output recovery.

public enterprise and public expenditure reforms, areas in which it was recognized that even closer coordination with and reliance on the work of the World Bank would be required. Emphasis also was placed on protecting programs through contingency mechanisms and appropriately designed safety nets, and on further progress in rationalizing public expenditure away from unproductive uses, including military spending. This section discusses issues of contingency mechanisms, social safety nets, and strengthening the quality of public spending in the design of ESAF programs.

1. Use of contingency mechanisms

The ESAF countries are particularly vulnerable to a variety of adverse shocks--terms of trade, and climatic and political developments. They are also heavily dependent on official financing, which experience has shown can be lumpy and difficult to predict reliably.

Under the current ESAF, the approach to protecting programs against unforeseen adverse exogenous developments consists of two elements. The first is through incorporation of automatic adjustments to key program benchmarks and performance criteria (in-built contingency mechanisms or ICMs). The second element is through the provision under the ESAF Trust for reviewing access levels for individual countries at the time of approval of annual arrangements and at mid-term reviews.

External contingency mechanisms (ECMs) under the Compensatory and Contingency Financing Facility (CCFF) have not been attached to ESAF arrangements so far because the concessionality of ESAF resources is considered more compatible with these countries' debt-servicing capacity, and because essentially comparable protection for programs can be achieved through judicious use of ICMs and augmentation of ESAF access, where warranted. Also, ECMs could be unduly complex to administer (even as most recently simplified), given data weaknesses and the limited administrative capacity in many ESAF countries.

a. Automatic adjustments to program benchmarks and performance criteria

ICMs in ESAF programs have taken the form of adjustments to key financial benchmarks/performance criteria in the face of unforeseen developments largely beyond the control of the member (these have included variables in the external current and capital accounts and domestic nonbank financing variables). 1/ However, most ICMs have been designed to protect programs in the face of unforeseen developments in external financing--a variable not covered by ECMs and generally not covered by ICMs under non-

1/ Adjustments for domestic financing variables have been provided when it proved difficult to predict accurately the availability of such financing because of their exceptional nature (e.g., privatization proceeds).

ESAF programs. This reflects in particular the heavy dependence of ESAF-supported programs on official sources of financing and the difficulties in accurately predicting the timing of such assistance (Appendix Table 2).

Formulation of ICMs in ESAF-supported programs has evolved over time. In the early stages of ESAF operations, given the initial low levels of international reserves and the precarious initial macroeconomic situation in most cases, the scope for prespecified, automatic adjustment in reserve levels or other variables in the face of adverse developments was severely limited. In the early ESAF cases, there were relatively few ICMs with symmetric provisions. Typically, ICMs were asymmetric, providing for full adjustments in the relevant benchmarks/performance criteria in order to preserve gains from external financing in excess of the program baseline, especially in the face of initial low levels of reserves, but not for shortfalls or adverse developments.

In more recent ESAF-supported programs, where countries have progressed through their ESAF arrangements and experienced a strengthening of their external and macroeconomic positions, there has been greater scope for adjustment to adverse shocks. Recent ICMs have accordingly more frequently included symmetric provisions than in the earlier period. 1/ For many countries that are just embarking on the adjustment process, however, the scope for downward adjustments in reserve levels under ICMs remains relatively limited. Also, adjustments for unforeseen developments in the current account variables remain rare (although programs have contained sensitivity analysis of key current account variables and some discussion of appropriate policy response to shocks). In many cases, ICMs were treated in a technical way (in the table on performance criteria), without extensive discussion of the underlying policy assumptions or rationale in staff reports and program documents.

Under the ESAF successor, a more extensive discussion in staff papers of the approach to ICMs in individual program cases would help to make more transparent to Executive Directors and donors the risks to the programs and the course to be followed--the mix of policy responses and adjustments to the program--when certain risks materialize. More use of symmetric ICMs could also be useful, providing for partial adjustments and incorporating appropriate limits for the downward adjustment, taking into account the appropriate level of reserves, while ensuring needed policy reactions to adverse developments. More use of ICMs against terms of trade shocks, with broadly symmetric provisions and with partial adjustments would also be helpful, since a number of ESAF-supported programs have gone off track, in

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1/ ICMs were incorporated in about 80 percent of annual ESAF arrangements approved since 1990 (see Appendix Table 2), slightly above the corresponding figure of 75 percent for ESAF arrangements approved previously; of the more recent ICMs, one third provided for symmetric adjustments or about double the level in the earlier period.

part, due to adverse terms of trade developments. 1/ With such ICMs, adherence to the prespecified (and modified) adjustment path in the event of adverse shocks would require timely policy response and would permit continued and timely Fund (and donor) financing, provided all performance criteria, including adjustable ones, are observed.

At the same time, however, it should be noted that ESAF-supported programs have been and will continue to be buffeted by shocks other than those that typically can be covered by ICMs. These include such factors as political- and weather-related developments which, by nature, are not amenable to prespecification (Appendix Table 3). Moreover, in cases where the shocks are relatively large, a more basic recasting of the program than could be accomplished through ICMs is likely to be needed. These factors would suggest that, beyond ICMs, continued readiness on the part of the country authorities and the Fund to reassess the adjustment and financing needs as the program unfolds, including at the time of mid-term reviews, will remain important to help maintain the momentum of the adjustment process.

b. Flexibility in reviewing access in individual cases

On the part of the Fund, this involves continued readiness to consider modifications to access under individual ESAF arrangements. It was envisaged at the outset of the ESAF that annual and three-year access could be reviewed at the time annual arrangements were considered by the Board, and that such access might be raised in light of the member's financing need and the strength of its policies. To help members deal more promptly with adverse shocks, this initial provision was later broadened to permit augmentation of annual and three-year access levels at the time of mid-term reviews. So far, ESAF arrangements for five countries have benefitted from these provisions, primarily in response to the shocks arising from the war in the Middle East and the drought in Southern Africa.

The relative infrequency of adjustment in individual ESAF access reflects two factors. First, in some cases that have suffered major and unforeseen declines in export prices, disbursements under ESAF arrangements were made on schedule, following waivers of nonobservance of performance criteria and suitable revision--at the mid-term review--to the program's macroeconomic framework. Second, in a few other cases, adverse terms of trade shocks were not the decisive factor in causing the programs to go off track--there were also serious policy slippages unrelated to the declines in export prices, and the programs had gone off track as a result of a combination of factors. In these cases, additional measures had to be taken to bring the programs back on track, but typically this occurred only with

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1/ In those cases, with relatively strong administrative capacity, there may also be scope for use of hedging instruments, available in financial markets for major exports and imports to help dampen fluctuations in export earnings or import costs stemming from price volatility.

long delays. In all these cases, after reassessment of the programs' adjustment/financing mix and taking account of the member's capacity to repay the Fund, additional Fund financing has not been considered appropriate.

Questions have arisen whether the Fund should not go farther and commit upfront contingent access under the ESAF up to some maximum that could be made available in the event that certain prespecified shocks (essentially of the types covered by ECMs, i.e., variables in the external current account) were to occur. 1/ This approach could have the advantage of encouraging members to develop more fully, and in advance, contingent policy responses to adverse shocks which would permit more speedy corrective action than might otherwise be feasible. The approach would, however, take ICMs under the ESAF closer to ECMs in the CCFF framework and would risk adding substantial technical complexities. Furthermore, as noted earlier, for some countries there is today greater scope for the use of reserves while putting in place corrective policies and while the case for augmenting ESAF access is being considered. More generally, for the ESAF successor with its limited pool of resources, there is an issue of resource management. ESAF resources would effectively have to be set aside for such contingent access.

On balance, the staff would suggest that, as a complement to the ICMs approach under the ESAF successor described above, the Fund could indicate more explicitly than has been the case to date that it would be ready to consider augmenting ESAF access on a timely basis to help meet adverse shocks, and that greater flexibility in adjusting access under the ESAF successor could be expected. Programs could also aim for a more ambitious reserve accumulation up front, including through frontloading of ESAF access. This dual approach could permit more use of symmetric ICMs in the course of the three-year arrangement period, to deal with adverse shocks through a mix of policy adjustments and financing through some use of reserves in the interim, pending a review of access under the arrangement.

c. Downward flexibility in access in individual cases

A related issue in this context is whether, for the purpose of symmetry, there should be greater downward flexibility in access under the ESAF successor, possibly only at the time of approval of annual arrangements, in the event of lower-than-expected financing needs, particularly stemming from unforeseen favorable exogenous developments.

1/ As under ECMs in the framework of the CCFF, it is not considered appropriate to accommodate through contingent Fund financing capital account developments such as delays/shortfalls in external financing, or developments in domestic financing--in part because these developments tend to be dependent on recipient countries' policies and not largely exogenous. For external financing provided by creditors, there could also be a moral hazard of Fund financing substituting for other financing sources.

Under the current ESAF, balance of payments need can be reviewed in the context of approval of second- and third-annual arrangements, but not at the mid-term review. However, the ESAF instrument (Section II, paragraph 2(d)) provides that access will not be reduced because of developments in the balance of payments unless such developments are substantially more favorable than originally envisaged and derive, in particular, from improvements in the external environment. Even in such circumstances, the amount committed to a number would not normally be reduced by the Fund; rather, it would be suggested that the member reduce voluntarily its use of ESAF resources, either by requesting lower access at the time of approval of an annual arrangement or by foregoing in whole or in part a mid-year disbursement. 1/ These provisions reflect the priority given at the time of the establishment of the ESAF to assuring poorer countries of the availability of ESAF resources over a three-year period, to match these countries' strong policy intentions over this same medium-term period. The issue was also more hypothetical at the time, because these countries were then typically starting from an extremely weak external position.

Under the ESAF, a number of countries have strengthened their external situations considerably and have attained much more comfortable reserve positions than at the time of establishment of the ESAF. For countries in these circumstances, some reduction in ESAF access in the face of unforeseen favorable developments should not be disruptive for their financing plans and should not have adverse ramifications for other financing flows. Thus, in these instances, in the course of a three-year arrangement under the ESAF successor, it may be appropriate to envisage somewhat greater downward flexibility in access, while at the same time retaining the essential strength of the Fund's commitment of resources to the member. This could be done by making more active use of the provision already in the ESAF Instrument, where appropriate, and guided by the current sense of the Board. In the event of a significantly more favorable balance of payments, particularly but not exclusively because of external developments, the staff would suggest to the member a possible reduction of ESAF use, either by lower access at the time of approval of an annual arrangement or by foregoing a mid-year disbursement in whole or in part, and would report to the Board on the circumstances involved; the Board would retain its ability to adjust access under the existing provision of the Instrument. This approach would provide the Fund with greater flexibility in managing ESAF successor resources, including in providing for upward adjustments in access in appropriate cases as noted earlier.

1/ The Chairman's Summing Up at EBM/87/171 of the Discussion on the ESAF--Operational Arrangements (Buff 87/260, 12/15/87).

d. Low access ESAF arrangements

Given the strengthening external position of a number of ESAF countries, the general issue of balance of payments need can be expected to arise with greater frequency under the ESAF successor. In the April 1993 discussion on operational modalities, it was agreed that some current or past ESAF users that have made substantial progress and are facing no apparent need for exceptional balance of payments assistance would not be expected to request access to the ESAF successor. 1/ In these cases, the authorities could request to maintain intensive relations with the Fund through such mechanisms as enhanced surveillance and appropriate post-ESAF monitoring arrangements, which could include preparation of policy framework papers (PFPs). These mechanisms would be helpful to the countries in conveying information on policy formulation and implementation to the international community and in catalyzing donor/creditor support, even though no Fund financial resources were involved.

In instances where there is no apparent balance of payments need, questions have arisen about the possibility of a mechanism in the nature of precautionary arrangements under the ESAF successor, where the authorities would express their intention not to request disbursements under the arrangements unless an unexpected deterioration in their external position were to occur. The Fund's formal endorsement and monitoring of the program would be expected to help sustain policy implementation and catalyze the needed donor/creditor support. However, a number of issues need to be considered. To provide such programs with adequate defense against significant adverse shocks, access under such arrangements would have to be set commensurately. (Moreover, in the case of major adverse shocks, the policy program itself is likely to require a fundamental revision, possibly including a reassessment of access that could overtake the initial precautionary arrangement.) This approach could pose substantial difficulties in resource management, given the fixed and limited pool of ESAF resources, and the fact that the resource target that has been established for the successor is based on the expectation that countries with no apparent balance of payments need will not request use of ESAF successor resources. For precautionary ESAF arrangements, ESAF resources would have to be committed and set aside, which could reduce the resources potentially available to others. Such difficulties and possible crowding out would intensify at a later stage as ESAF demands approach the lending target volume, and the approach could eventually result in non-use of scarce concessional resources available to the ESAF.

On balance, the staff would propose that in those cases where there is no apparent balance of payments need, and if requested by the authorities, intensive Fund relations be provided through enhanced surveillance and similar mechanisms. For cases in the "gray area" where there is low or unclear balance of payments need, but where there is need for considerable

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1/ See Buff/93/15 (4/2/93) EBM/93/46.

structural reforms, ESAF successor arrangements could be appropriate, but access in such cases would be set at very low levels, commensurate with assessed need. This access would of course be subject to review, as already provided for under the ESAF Instrument, if a major and unexpected deterioration in the country's external position were to justify larger access.

2. Social safety nets in program design

From the early stages of operations under the current ESAF, attention has been given to social aspects of programs, in view of the low per capita incomes and the inadequacy of social services typical in ESAF eligible countries. The major part of this effort has been to help members adapt policies which themselves help to minimize the adverse impact on the poorest. Beyond this, social safety nets could help deal with the unavoidable residual adverse impact of certain policy measures. The Bank and the Fund have collaborated in this area, with the Fund staff focusing largely on the budgetary and macroeconomic implications of safety nets, and Bank staff normally on the design of safety nets and longer-term poverty reduction. Increasingly, such efforts have been coordinated with and supported by donor assistance, both technical and financial.

As experience has been gained, ESAF-supported programs have provided for social safety net measures and, somewhat more frequently in the recent period, for more funding of socially critical expenditures (Appendix Table 4); also, the content of PFPs has been strengthened to improve coverage of social issues. For instance, some programs have provided for better targeted assistance to the poor where subsidies were reduced or removed, 1/ and several have incorporated severance pay and/or retraining programs where adjustment involved retrenchment of employment in the civil service or public enterprises. 2/ Increasingly, in several instances where the effects of adjustment measures on the poor are diffused, programs have instead emphasized--in close collaboration with the Bank--increased funding of areas that directly benefit the poor. 3/

Design and assessment of the experience with social safety net measures under ESAF-supported programs has often been complicated by weak information bases and administrative capacity. In several cases, efforts to incorporate safety nets were hampered by inadequate technical and financial resources and poor implementation and monitoring.

1/ For example, Albania (ESAF I), Bangladesh (ESAF III), Kenya (ESAF III), and Mozambique (ESAF I).

2/ For example, Bangladesh (ESAF III), Benin (ESAF I), Ghana (ESAF III), Lao P.D.R. (ESAF I), Tanzania (ESAF II), and Zimbabwe (ESAF I).

3/ For instance, Bolivia (ESAF IV), The Gambia (ESAF III), Lao, P.D.R. (ESAF I), Mozambique (ESAF III), Tanzania (ESAF II), and Uganda (ESAF IV).

Under the ESAF successor, programs should continue to aim for sustained growth with low inflation, since these two factors remain the most critical for lasting poverty alleviation. Efforts to adapt the policy mix of reforms should also continue to help ease the impact of reforms on the poor. Beyond this, the Fund staff will, in collaboration with the Bank and other donors, continue to encourage and assist country authorities to integrate well-designed social safety nets into program design, building on the experience so far.

Several initiatives need to be taken to assure better integration of safety nets into programs. First, greater attention will need to be given to improving data and implementation capacity (in particular, at the local administrative level) in order to allow cost-effective, targeted interventions, taking account of existing formal and informal arrangements; timely technical assistance by the Bank and donors, and where feasible by the Fund itself, would be important. 1/ Careful integration of this technical assistance with program design will be essential (as discussed in Section IV below). Second, more generally over time and in the context of the Bank's public expenditure reviews, increasing public spending in areas that directly benefit the poor (such as on primary health and education programs) would also offer effective and lasting protection. This approach should be feasible in most cases and especially in those with limited data and administrative capacity, as it could build on the existing budgetary and administrative set up. Finally, there may be greater scope for financing of social safety nets through cuts in unproductive expenditures or, in some cases, through increased revenue collection. Nonetheless, donor finance will still have an important role to play. Aspects relating to public expenditure composition are considered further below.

3. Strengthening the quality of public expenditure

ESAF-supported programs have typically placed emphasis on reducing fiscal deficits and on sustaining fiscal adjustment and, as part of that emphasis, programs have stressed the need to improve the prioritization and efficiency of government outlays. In most ESAF programs, efforts to restrain expenditure have focused on subsidies and excessive civil service wage bills--through elimination of ghost workers and creation of a smaller, higher quality, and better paid, civil service. Also, as noted above, many programs (90 percent of the most recent ESAF-supported programs) have given particular attention to increasing funding for socially critical areas. In these, public expenditure reviews were needed to guide this process and in most cases, such reviews of varying scope were carried out by the Bank.

1/ As indicated in Appendix Table 5, the Bank has provided technical assistance in the design of social safety nets for retrenchment of the public sector, setting up public works or special programs, and ensuring adequate funding for socially critical areas in a significant number of cases (e.g., Albania, Bangladesh, Lao P.D.R., Lesotho, Mozambique, Niger, Sri Lanka, Tanzania, and Zimbabwe).

Progress on public expenditure policies has, in fact, been a conditionality of IDA credits. Notwithstanding this, there remains considerable scope for more comprehensive and timely reviews of public expenditure.

Under the ESAF successor, reviews of public expenditure policies will be a critical element in program design that should receive even stronger emphasis. Collaboration with the Bank, in the first instance, for more timely and effective reviews will remain essential. Moreover, this is a complicated area of work, requiring the fullest collaboration and information sharing among the Bank and major donors in a given country, and better coordination with the UNDP and NGOs. Greater attention in program design by the staff to improved coordination in this area could help to accelerate progress, but could also imply that the process of program formulation would be more staff-resource intensive.

Beyond the general need to strengthen the quality of public spending, at the April 1993 discussion a number of Executive Directors also emphasized the need for further progress in directing expenditure away from unproductive uses, including excessive military spending. Moreover, an increasing number of bilateral donors are paying attention in their bilateral aid decisions to the need for recipient countries to reduce such spending. Such donor policy is likely to strengthen, for the recipient countries, the linkage between the quality of public expenditure and the availability of external assistance.

A number of recent ESAF-supported programs and associated Article IV consultation discussions have paid close attention to the macroeconomic implications of military expenditures in the framework of the overall fiscal position. 1/ In these, policies relating to military expenditures have usually been framed by the authorities as part of an overall plan to reduce (or limit) the level of public expenditures while directing spending toward social and economic sectors and away from unproductive uses. The major fiscal components of these programs were cuts in or limits on public sector wage bills generally, and on subsidy outlays in particular, and included in that context efforts to limit military spending. In all these cases, the Bank has also extended assistance to improve the composition of expenditure, particularly in public expenditure reviews and civil service reforms. Policies have aimed at limiting/reducing military spending and have included reduction of military personnel and better data and coverage. In those cases where developments in defense spending were reported, adherence to specific spending aims contributed to reaching the program objectives. In other cases, military expenditure overruns were an important factor in the slippage in fiscal policies that had caused the programs to go off track.

1/ Of the 60 annual ESAF-supported programs approved through September 1993, 11 programs (primarily for countries with a military spending/GDP ratio at least 3 percent in the early 1990s) explicitly incorporated aims on defense spending/demobilization as part of the fiscal objective.

In the vast majority of ESAF-eligible countries, data on military spending is available on a reasonably timely basis (Appendix Table 5) and is through Fund reports generally available to donor agencies in member countries.

Continued efforts are needed to ensure timely, comprehensive, and transparent data relating to military spending consistent with the requirements under Article IV consultations with all members; particular attention needs to be paid to incorporating military spending fully into the budgetary process. A number of countries potentially in need of support under the successor are or may be facing improvements in their security situations which could allow economies in their military spending, including through downsizing the military. In countries that are emerging from important civil conflict, demobilization will be an early and important element of economic reconstruction. In such cases, the cost of demobilization plans--developed by the authorities in close collaboration with the Bank, other institutions, and donors--will need to be integrated into the macroeconomic framework at the earliest possible stages, and can be expected to be an important element underlying the design of the program and its external financing. Such demobilization should over time permit reductions in the overall level of military spending.

Cooperation of the authorities in the provision of data would remain critical in this area. Fund staff will continue to avoid judgements regarding national security policy and the appropriate level of military spending, and military expenditures should not become a part of programs' performance criteria.

IV. Technical Assistance and Program Design and Monitoring

During the review of experience under ESAF-supported programs earlier this year and in subsequent Board discussions on the ESAF successor, it was widely recognized that under the ESAF successor it will be critical to strengthen countries' capacity to administer economic policy and that greater attention will need to be given to timely and well-targeted technical assistance from the Fund, the World Bank, and other institutions in each institution's areas of expertise. The technical assistance and training needs of the poorer countries remain substantial, and for programs to be supported by the ESAF successor, the staff was asked to explore ways to link program design more closely with technical assistance.

1. Experience with linking the Fund's technical assistance to ESAF-supported programs

Under the ESAF, the Fund's technical assistance has played an important role both in program design and monitoring. Reviewing experience in this complex area is difficult, and this paper focuses attention only on the experience with the Fund's technical assistance in three core areas of its traditional expertise: tax reform, central banking/monetary policy, and

exchange systems. 1/ Appendix Table 6 lists, for the 29 countries that have been supported by the ESAF, the key policy undertakings in their most recent ESAF arrangements and supportive Fund technical assistance in these three core areas.

Appendix Table 6 suggests that in the majority of cases, Fund technical assistance has been directed toward areas critical for the design of specific policy measures, and many of these policy measures have been subject to program monitoring in the form of structural benchmarks and performance criteria. For instance, in about half of these ESAF arrangements, technical assistance in tax reform--including for introduction of a value added tax--contributed to the formulation of the program's fiscal package, and progress in this area was monitored closely. Efforts have also been made to integrate into program design and monitoring the results of Fund technical assistance in central banking/monetary policy areas (e.g., introduction of indirect monetary control, Treasury bill auctions, and bank supervision). In a few cases, involving liberalization of the exchange system, the Fund's technical assistance was central to the program design and progress was subject to program monitoring.

Fund technical assistance to help build institutions and improve statistical bases and Fund training have also been provided. Typically, however, such assistance--by nature--has not been immediately or directly integrated with program design and monitoring, since the assistance relates more to medium-term efforts to build implementation capacity.

Technical assistance provided by the Bank and other donors has also played an important role in the design of policies for reforms in the civil service, public enterprises, and agricultural sector. Selected policy measures that depend on such technical assistance and that are critical to macroeconomic performance have also typically been reflected in program monitoring.

The experience with Fund technical assistance under ESAF-supported programs has been mixed. On the positive side, in those cases where technical assistance was delivered on a timely basis and well integrated with program design, such assistance has been effective in strengthening not only program design but also policy implementation (with achievement of the related policy undertakings and program benchmarks/performance criteria). 2/ More progress in policy implementation also appears to have

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1/ A more complete review of Fund technical assistance will be presented in "A Review of Fund Technical Assistance," forthcoming.

2/ This applies, for instance, to technical assistance for tax reform in the cases of Bangladesh (ESAF III), Uganda (ESAF IV), Lao P.D.R. (ESAF I), and Nepal (ESAF I); monetary policy instruments in the cases of Guyana (ESAF III), Madagascar (ESAF II), and Nepal (ESAF I); and exchange system reform in the cases of Mozambique (ESAF III), Mauritania (ESAF I), Tanzania (ESAF II) and Uganda (ESAF IV).

been achieved in cases where technical assistance advice was related to specific, immediate policy steps (such as introduction of a VAT and auctioning of Treasury bills) than when such advice was for general improvements in implementation capacity. In a number of instances, however, progress on policy could have been greater if Fund technical assistance had been provided at an earlier stage. 1/ As regards longer-term assistance in some cases, progress has also been affected by inadequate follow through on the part of recipient countries which, in turn, reflects at least in part the time needed to build local capacity and institutions. Inadequate provision and integration of Fund technical assistance into programs in some cases may be affecting policy sequencing and pace--e.g., delays in trade liberalization because of slow progress in tax reforms. Coordination with other providers of technical assistance has for ESAF cases proven time consuming and has not always ensured timely delivery of related advice nor prevented duplication of effort and conflicting advice.

2. Improving linkages of technical assistance with programs under the successor

This experience would suggest that in order to improve linkages of technical assistance to program design and monitoring under the ESAF successor, closer attention needs to be given to three key aspects. In general, these touch on Fund-wide concerns and are not specific to the ESAF countries.

First, well-targeted and more timely delivery of technical assistance. This would require a comprehensive assessment at the earliest stages of a country's technical assistance requirements in the program context and for careful coordination to put together a technical assistance program to be provided by the Fund itself and, in the critical structural areas, by the Bank and, as necessary, bilateral and other multilateral donors. Such planning is essential for targeting technical assistance for a strong start of the program and for effective maintenance and follow through, including improvements in institutional capacity and statistical systems and training. The objectives and indicative timetable of this technical assistance plan could be specified in the programs supported by the ESAF successor, and progress in policy areas receiving technical assistance could be subject to a more systematic review.

Practical ways to ensure improved planning and coordination within the Fund are being explored by the staff within a Fund-wide context, since many of the issues involved are not specific to the ESAF. Possible steps for consideration might include more systematic discussion of plans for technical assistance in country strategy papers and negotiating briefs, and ways for more effective incorporation of technical assistance into the

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1/ For a discussion of demand pressures on Fund technical assistance, see "A Review of Fund Technical Assistance" forthcoming.

program formulation process. It must be stressed, however, that to fully coordinate, plan, and deliver technical assistance is a complex task and is subject importantly to constraints on financial and staff resources.

The PFP process has, in a number of cases, played an effective role in identifying technical assistance needs and coordinating technical assistance, not only within the Fund, but also with the Bank and other key providers. This experience could be built on. PFPs could be the vehicle for mapping out more comprehensively the technical assistance needs in areas crucial for the program's success and how they might be met. Staff papers requesting use of ESAF resources could more systematically describe technical assistance needs, discuss how they are being met, and identify specific issues in collaboration that may need to be considered. Similarly, closer communication with donors and greater attention to this topic in donor meetings and consultative group meetings could be helpful as well.

Second, more timely implementation of policies. In the program context, those areas that are frequently judged to be in critical need of Fund technical assistance are usually also those areas where progress in policy implementation is considered to be critical for successful macroeconomic management and implementation of the program. Because of this natural link--and as noted above--policy implementation in these critical areas has often been subject to program monitoring and reflected in structural benchmarks/performance criteria. Such program monitoring has been on specific policy steps, where implementation is facilitated by technical assistance, and implementation of technical assistance recommendations themselves has seldom been monitored directly as part of the program's conditionality. This close monitoring has, nonetheless, often resulted in timely implementation of the key technical assistance recommendations. Under the ESAF successor, technical assistance should continue to play an important role, by helping to define more precisely the scope and timing of relevant policy measures, and program monitoring of these measures as structural benchmarks/performance criteria, should continue to help ensure timely implementation of such technical assistance recommendations.

The recipient countries need to be more determined to take the necessary steps for effective implementation of technical assistance advice and adequate follow through. Greater effort is needed to clarify the institutional changes necessary for implementation of the recommended reforms. In areas of critical concern to donors (such as public expenditure review), the interdependence between donor flows and progress in reforms should be stressed, while paying attention to avoiding derailing the program by weaknesses in a single area. Recipient countries also need to give closer attention to ensuring appropriate counterpart staff and adequate facilities, training of local personnel and more generally--for technical assistance advice pertaining to longer-term issues--working to strengthen the capacity and efficiency of the civil service, and making appropriate changes in regulations and laws. Performance of recipient countries in

effectively utilizing technical assistance should be a criterion for subsequent allocation of the limited technical assistance resources that are available.

Third, addressing resource implications. For the Fund, because of the overall considerable demands for technical assistance and the Fund's own budget constraints, prioritization is essential to better align technical assistance with the timing and needs of programs. Despite careful prioritization, however, intensive technical assistance under the ESAF successor will have major resource implications for the Fund, because of the large number of program countries involved and the present unmet demands for technical assistance, particularly if more attention is to be given to building institutions and ensuring an adequate follow through. Thus, priorities and trade-offs will have to be considered and coordinated in a broader budget context, taking account of the relative needs and absorptive capacities of both countries with programs supported under the ESAF successor and other Fund members.

To ease the Fund's own resource constraints, some Directors have suggested that two avenues could be explored further. The first is through additional donor funding. Already, an increasing share of Fund technical assistance has been funded from external sources--the UNDP, the EBRD, the EC, and bilateral donors (including Japan Administered Account for Technical Assistance, where the authorities have expressed readiness to consider intensified support under the successor). The second avenue is by drawing directly on the Bank and bilateral donors to provide technical assistance in their areas of expertise. For bilateral donors, greater emphasis on technical assistance may improve the impact of their other types of assistance such as program or project assistance. In addition, there are important areas where bilateral donors may be uniquely equipped to provide such technical assistance because of their greater familiarity and social/sectoral interest, such as in public enterprise reform, civil service reform, or public spending.

It should be stressed, however, that these two avenues, while helpful, cannot address fully the resource constraint question. Even with a significant increase in donor funding and in the division of labor with others, considerable Fund staff resources would still be required to ensure adequate coordination and quality of technical assistance advice in the context of programs supported under the ESAF successor programs.

V. Summary of the Main Recommendations

The main recommendations discussed in this paper can be summarized as follows:

1. Based on the ESAF criteria of low per capita incomes and taking into account IDA eligibility, it is proposed (i) to expand eligibility for assistance under the ESAF successor to include six countries: Armenia,

Eritrea, former Yugoslav Republic of Macedonia, Georgia, the Kyrgyz Republic, and Tajikistan; (ii) that in the cases of Armenia, Georgia, the Kyrgyz Republic, and Tajikistan, this decision take effect when the ESAF successor becomes effective; and (iii) that the decisions for Eritrea and the former Yugoslav Republic of Macedonia be submitted to the Board on a lapse-of-time basis at the appropriate time and after the successor becomes operational. In light of the tentative nature or absence of per capita income estimates for some new and poorer Fund members, eligibility will be kept under close review.

2. Inbuilt Contingency Mechanisms should more regularly be attached to programs under the ESAF successor. Discussion in staff papers of the approach to ICMs in individual program cases should be more explicit on the risks to the programs and the implications for policy and adjustments to the program in the event certain risks materialize. More use of symmetric ICMs--protecting the programs against adverse shocks, particularly against terms of trade shocks, as well as preserving some of the gains from favorable shocks--would also be useful, providing for partial adjustments and with appropriate limits for the downward adjustment. With such ICMs, adherence to the prespecified (and modified) adjustment path would call for timely policy response, which would permit continued and timely Fund (and donor) financing, provided all performance criteria, including adjustable ones, are observed. Beyond ICMs, continued readiness on the part of the country authorities and the Fund to reassess the adjustment and financing needs as the program unfolds, including at the time of the mid-term reviews, will remain important.

3. To help members deal promptly with adverse developments, the current flexibility under the ESAF in determining and modifying access under individual ESAF arrangements should be retained. As a complement to more regular and transparent incorporation of ICMs into programs, the Fund could indicate explicitly that it would be ready to consider augmenting ESAF access on a timely basis, to help meet adverse exogenous shocks.

4. Somewhat greater downward flexibility in access in the face of a significantly more favorable external position may be appropriate, utilizing the provisions already available. In such circumstances, the staff would suggest to the member in the event of a significantly more favorable balance of payments, particularly but not exclusively because of external developments, a possible reduction in ESAF use, either by lower access at the time of approval of an annual arrangement or by foregoing a mid-year disbursement in whole or in part, and would report to the Board on the circumstances involved; the Board would retain its ability to reduce access under the existing provision of the ESAF Trust Instrument. This approach would provide the Fund with greater flexibility in managing ESAF successor resources, including in providing for upward adjustments in access in appropriate cases as noted above.

5. Low access ESAF arrangements may be appropriate where the case for a balance of payments need is not clear cut, to help members sustain a strong record of policy implementation and to continue catalyzing the needed donor/creditor support. As in other cases, access would be subject to review in the event of an unexpected deterioration in the country's external position.

6. On social safety nets, programs under the ESAF successor should continue to aim for sustained growth with low inflation and at adapting the policy mix to minimize the impact of reforms on the poor. More directly, the Fund staff will, in collaboration with the Bank and other donors, continue to encourage and assist country authorities to integrate well-designed social safety nets into programs. Steps to assure such better integration include: greater attention to improving data and implementation capacity, with timely technical assistance by the bank and donors and, where feasible, by the Fund itself; more generally, and in the context of the World Bank's public expenditure reviews, increasing public spending in areas that directly benefit the poor; and improving the scope for financing of social safety nets through cuts in unproductive expenditures or, in some cases, through increased revenue collection; nonetheless, donor finance will still have an important role to play.

7. Programs under the ESAF successor should give even greater emphasis to strengthening the quality of public expenditure. In program design, collaboration with the Bank, in the first instance, for more timely and effective public expenditure reviews will remain essential. Continued efforts are needed to ensure timely, comprehensive, and transparent data relating to military spending, consistent with the requirements under Article IV consultations with all members. In countries facing improvements in security situations or that are emerging from civil conflicts, demobilization will be an early and important element of economic reconstruction and needs to be well integrated into the macroeconomic framework at the earliest possible stages.

8. To improve linkages of technical assistance to program design and monitoring under the ESAF successor, closer attention needs to be given to three key aspects, which are Fund-wide and not specific to the ESAF countries.

-- First, greater emphasis should be given to an early and comprehensive assessment of technical assistance requirements in the program context, and to careful coordination within the Fund itself and, in the critical structural areas, with the Bank and--as necessary--bilateral and multilateral donors. PFPs and staff papers could map out more comprehensively the technical assistance needs and how they are being met.

-- Second, technical assistance should continue to help define more precisely the scope and timing of relevant policy measures, and program monitoring of these measures should continue to help ensure timely implementation of such technical assistance recommendations. The recipient

countries need to be more determined to take the necessary steps for effective implementation of technical assistance advice and adequate follow through.

-- Third, the resource implications of more intensive technical assistance under the ESAF successor need to be addressed. Priorities and trade-offs will have to be considered and coordinated in a broader budget context, taking account of the relative needs and absorptive capacities of both countries with programs supported under the ESAF successor and other Fund members. Additional donor funding and drawing directly on the Bank and bilateral donors to provide technical assistance in their areas of expertise could be helpful, although considerable Fund staff resources would still be required to ensure adequate coordination and quality of technical assistance advice programs supported under the ESAF.

Table 1. GNP Per Capita and Fund Quotas -- Current ESAF-Eligible Countries, Countries Proposed for Eligibility Under ESAF Successor and New Fund Members

	GNP Per Capita, U.S. dollars			Quota 10/ (9th Review) In millions of SDRs
	1991	1992	Average	
Current ESAF-eligible countries 1/				
1 Cambodia	200	...	200	25
2 Haiti	370	...	370	61
3 Yemen, Republic of	540	...	540	177
4 Somalia	...	...	...	61
5 Zaire	...	...	...	395
6 Mozambique	70	60	65	84
7 Tanzania	100	110	105	147
8 Ethiopia	120	110	115	98
9 Bhutan	180	170	175	5
10 Nepal	180	170	175	52
11 Sierra Leone	210	170	190	77
12 Uganda	160	170	165	134
13 Burundi	210	200	205	57
14 Guinea-Bissau	190	210	200	11
15 Malawi	230	210	220	51
16 Chad	220	210	215	41
17 Bangladesh	220	220	220	393
18 Madagascar	210	230	220	90
19 Lao P.D.R.	230	250	240	39
20 Rwanda	260	250	255	60
21 Zambia	...	290	290	364
22 Mali	280	300	290	69
23 Burkina Faso	350	300	325	44
24 India 2/	330	310	320	3,056
25 Niger	300	310	305	48
26 Nigeria 3/ 2/	290	320	305	1,282
27 Guyana	290	330	310	67
28 Kenya	340	330	335	199
29 Equatorial Guinea	330	330	330	24
30 Sao Tome and Principe	350	350	350	6
31 Togo	410	390	400	54
32 Gambia, The	360	390	375	23
33 Nicaragua 3/	340	410	375	96
34 Benin	380	410	395	45
35 Central African Republic	390	410	400	41
36 Pakistan 2/	400	410	405	758
37 Ghana	400	440	420	274
38 Maldives	460	500	480	6
39 Guinea	450	510	480	79
40 Comoros	500	510	505	7
41 Mauritania	510	520	515	48
42 Sri Lanka	500	540	520	304
43 Honduras 3/	570	550	560	95
44 Zimbabwe 3/ 2/	610	570	590	261
45 Lesotho	580	590	585	24
46 Egypt 3/ 2/	620	630	625	678
47 Bolivia	650	680	665	126
48 Kiribati	750	700	725	4
49 Cote d'Ivoire 3/	690	700	695	238
50 Solomon Islands	560	710	635	8
51 Philippines 3/ 4/	740	770	755	633
52 Senegal	720	780	750	119
53 Cape Verde	750	850	800	7
54 Western Samoa	930	940	935	9
55 Dominican Republic 3/ 4/	950	1,040	995	159
56 Vanuatu	1,120	1,210	1,165	13
57 Tonga	1,100	1,350	1,225	5
58 St. Vincent 2/	1,730	1,990	1,860	6
59 Grenada 2/	2,180	2,310	2,245	9
60 Dominica 2/	2,440	2,510	2,475	6

Table 1 (concluded). GNP Per Capita and Fund Quotas -- Current ESAF-Eligible Countries, Countries Proposed for Eligibility Under ESAF Successor and New Fund Members

	GNP Per Capita, U.S. dollars			Quota 10/ (9th Review) In millions of SDRs
	1991	1992	Average	
61 St. Lucia 2/	2,500	2,830	2,665	11
62 St. Kitts and Nevis 2/	3,960	4,670	4,315	7
63 Islamic State of Afghanistan	...	...	...	120
64 Albania 3/	...	...	...	35
65 Angola 3/	...	...	...	207
66 Djibouti	...	...	...	12
67 Liberia	...	...	...	96
68 Mongolia 3/	...	...	...	37
69 Myanmar	...	...	...	185
70 Sudan	...	...	...	233
71 Viet Nam	...	...	...	242
Total				12,533
Proposed Additions to Eligibility 5/ 6/				
1 Eritrea 7/	...	...	...	...
2 Tajikistan	...	480	...	40
3 Armenia 2/	...	780	...	68
4 Kyrgyz Republic 2/	...	810	...	65
5 Georgia 2/	...	850	...	111
6 Macedonia (former Yugoslav Republic of) 8/	...	980	...	50
Total				333
New Fund Members 5/ 6/ 9/				
1 Micronesia, Federated States	...	...	...	4
2 San Marino	...	...	...	10
3 Marshall Islands	...	...	...	3
4 Croatia	...	...	...	262
5 Uzbekistan	...	860	...	200
6 Azerbaijan	...	870	...	117
7 Moldova	...	1,260	...	90
8 Turkmenistan	...	1,270	...	200
9 Lithuania	...	1,310	...	103
10 Bulgaria	...	1,330	...	465
11 Namibia	...	1,630	...	100
12 Ukraine	...	1,670	...	997
13 Kazakhstan	...	1,690	...	248
14 Slovak Republic	...	1,930	...	257
15 Latvia	...	1,930	...	92
16 Czech Republic	...	2,460	...	590
17 Russian Federation	...	2,680	...	4,313
18 Estonia	...	2,750	...	47
19 Belarus	...	2,920	...	280
20 Slovenia	...	6,330	...	151

Sources: Treasurer's Department; World Bank "Per Capita Income Guidelines for Operational Purposes", Memorandum From the President, (SecM92-1158/August 24, 1992 and SecM93-942/ September 9, 1993).

1/ Unless otherwise noted, all ESAF eligible countries are also eligible to recieve IDA resources.
2/ Blend countries, eligible to recieve IDA and IBRD resources.
3/ Countries that became SAF/ESAF-eligible in April 1992.
4/ Not IDA eligible.
5/ Estimates for states of the former Soviet Union are preliminary, and are under review by the Bank.
6/ Estimates for 1991 on a comparable statistical basis as those for 1992 are not available.
7/ Not yet a Fund member.
8/ Bank membership process is not yet finalized, and no decision has been made on which lending class the FYRM will be designated.
9/ Other countries that became Fund members between January 1, 1990 and October 30, 1993, excluding Albania, the Republic of Yemen, and Mongolia, all of which are ESAF-eligible, and Switzerland.
10/ Assumes that the 9th Review of quotas include an adjustment for the arrears countries.

Table 2. Annual ESAF Arrangements Approved During 1990-93--
In-Built Contingency Mechanisms (ICMs)

Country and arrangement (Approval date)	Performance criteria (PC) subject to adjustment 1/	Adjustors (from program baseline)	Mechanism 2/		
			Nature	Adjustment clause 3/	Threshold
Albania ESAF I (7/14/93)	Cumulative change in NDA, NDC to Government, NFA of central bank, and budgetary expenditures	(i) External budgetary support (ii) Payments to banks to resolve arrears (iii) Enterprise support expenditures	Asymmetric -favorable deviations for budgetary assistance	100 percent (NDA, NDC and budgetary expenditure	None
			-unfavorable deviations for arrears payments	100 percent (NFA, NDA)	None
			-unfavorable deviations of enterprise support expenditures	100 percent (budgetary expenditures)	Yes
Bangladesh ESAF I (8/10/90) ESAF II (9/30/91) ESAF III (9/14/92)	Credit to public sector	Bond issues to banks for debt restructuring	Asymmetric -any proceed amount	100 percent	None
Benin ESAF I (01/25/93)	NDC and NDC to Government	Non-project foreign assistance	Asymmetric -favorable deviations	100 percent	None
Bolivia 4/ ESAF IV (09/92)	Changes in NIR, NDA, NDC to non-financial public sector	(i) Overdue external obligations (ii) Privatization proceeds (iii) Debt reduction agreement	Symmetric -increased overdue obligations or any privatization proceeds	100 percent	None
			-debt reduction operation	100 percent	None
	Combined deficit of public sector	Privatization proceeds	Asymmetric -any proceed amount	100 percent	None
Burkina ESAF I (3/31/93)	Cumulative change in NDC and NDC to Government; and cumulative net reduction in external arrears	Net foreign assistance (net of rescheduling)	Asymmetric -favorable deviation	100 percent	None
Burundi ESAF I (11/13/91)	Minimum NFA, NDA and NDC to Government	Export coffee price	Symmetric -favorable deviations -unfavorable deviations	100 percent 40 percent	No cap Floor on NFA's adjustment

Table 2 (continued). Annual ESAF Arrangements Approved During 1990-93--
In-Built Contingency Mechanisms (ICMs)

Country and arrangement (Approval date)	Performance criteria (PC) subject to adjustment 1/	Adjustors (from program baseline)	Mechanism 2/		
			Nature	Adjustment clause 3/	Threshold
Equatorial Guinea ESAF I (2/3/93)	...	...	...	...	...
Gambia, The ESAF III(11/26/90)	NDA and NDC to Government	Certain nonproject external financial assistance	Symmetric -favorable deviations -unfavorable deviations	 100 percent 25 percent	 None None
Ghana ESAF III (3/6/91)	...	...	...	...	...
Guinea ESAF I (11/06/91)	NFA, NDA, and NDC to public sector	Oil import costs (Net of external financing)	Asymmetric -favorable deviations of oil price import (net of external financing shortfall)	100 percent	None
Guyana ESAF I (7/13/90)	NFA, NDA, net borrowing of MFPs; stock of domestic public debt	Nonproject external assistance from IBRD and CDB; debt service payments; and bridge loan	Symmetric -favorable deviations -unfavorable deviations	 100 percent 100 percent	 No cap Floor: US$12 Million
ESAF II (9/25/91)	NFA, NDC, net borrowing of domestic public debt.	(i) Nonproject external assistance from IBRD and CDB	Symmetric -favorable deviations -unfavorable deviations	 100 percent 100 percent	 No cap Floor: US$12 Million
		(ii) Commodity aid	Symmetric -favorable deviations -unfavorable deviations	 50 percent 50 percent	 None
ESAF III (12/21/92)	NFA, NDA, net borrowing requirement of NFPS and stock of domestic public debt	Nonproject external assistance from IBRD and CDB	Symmetric -favorable deviations -unfavorable deviations	 100 percent 100 percent	 None
Honduras ESAF I (7/24/92)	NFA, NDC and NDC to public sector	Net (cash) external financing from IDB and World Bank	Symmetric -favorable deviations -unfavorable deviations	 100 percent 100 percent	 None

Table 2 (continued). Annual ESAF Arrangements Approved During 1990-93--
In-Built Contingency Mechanisms (ICMs)

Country and arrangement (Approval date)	Performance criteria (PC) subject to adjustment 1/	Adjustors (from program baseline)	Mechanism 2/		
			Nature	Adjustment clause 3/	Threshold
Kenya ESAF II (4/30/90)	NDA and NDC to Government	Net (cash) external financing	Asymmetric -favorable deviations	100 percent	No floor
ESAF III (08/02/91)	NDA and NDC to Government	Net (cash) external financing	Asymmetric -favorable deviations	100 percent	No floor
Lao, P.D.R. ESAF I (06/04/93)	GIR, NDC and NDA	Net (cash) external financing	Symmetric -favorable deviations -unfavorable deviations	100 percent 100 percent	None
Lesotho ESAF I (05/22/91)	NFA and NDA	Workers' remittances	Symmetric -favorable deviations -unfavorable deviations	100 percent 100 percent	Cap and floor: SDR 8 million
ESAF II (07/01/92)	NFA and NDA	(i) Workers' remittances (ii) Cereal import costs	Symmetric -favorable deviations -unfavorable deviations	100 percent 100 percent	Cap and floor: SDR 20 million
Madagascar ESAF II (6/13/90)	Total NDC	Write off of BNI's nonperforming loans	Asymmetric -favorable deviations	100 percent	None
	Total NDC and NDC to Government	(i) External financial assistance (ii) Amount of debt cancellation (iii) Net amount of government securities issued	Asymmetric -favorable deviations	100 percent	None
Malawi ESAF III (08/08/90)	NDA and NDC to Government	Net external disbursements	Asymmetric -favorable deviations	100 percent	None
ESAF IV (09/30/91)	NDA and NDC to Government	Net external disbursements	Asymmetric -favorable deviations	100 percent	None

Table 2 (continued). Annual ESAF Arrangements Approved During 1990-93--
In-Built Contingency Mechanisms (ICMs)

Country and arrangement (Approval date)	Performance criteria (PC) subject to adjustment 1/	Adjustors (from program baseline)	Mechanism 2/		
			Nature	Adjustment clause 3/	Threshold
Mali ESAF I (08/28/92)	NDC and NDC to Government	Net external disbursements (including debt rescheduling but excluding project aid).	Symmetric -favorable deviations -unfavorable deviations	 100 percent 100 percent	 No floor Cap: CFAF 3 billion 5/
Mauritania ESAF I (12/9/92)	NDA and NDC to Government	(i) Counterpart funds from World Bank loans (ii) Paris Club rescheduling (iii) BCM exchange losses	Asymmetric -favorable deviations	100 percent	None
	Overall balance of treasury operations	Net accumulation of checks encashed	Asymmetric -favorable deviations	100 percent	None
Mongolia ESAF I (6/25/93)	External debt in 1-12 maturity range	IFC loan	Asymmetric -favorable deviations	100 percent	None
Mozambique ESAF I (06/01/90)	NDC and NDC to Government	Net external disbursements			
ESAF II (09/20/91)	NDC and NDC to Government	Nonproject external assistance	Asymmetric -favorable deviations	100 percent	None
ESAF III (12/02/92)	NDA and NDC to Government	Nonproject external assistance	Asymmetric -favorable deviations	100 percent	None
Nepal ESAF I (10/05/92)	NDA, NIR, governmental borrowing, NDC to Gvt	NIR	Symmetric -favorable deviations -unfavorable deviations	 100 percent 100 percent	 Cap/floor: NRs 427 million cumulatively
Niger ESAF II (09/14/90)	NDA and NDC to Government	Net external budgetary assistance (including debt relief).	Asymmetric -favorable deviation	100 percent	None

Table 2 (continued). Annual ESAF Arrangements Approved During 1990-93--
In-Built Contingency Mechanisms (ICMs)

Country and arrangement (Approval date)	Performance criteria (PC) subject to adjustment 1/	Adjustors (from program baseline)	Mechanism 2/		
			Nature	Adjustment clause 3/	Threshold
Senegal ESAF III (06/03/91)	NDC and NDC to Government	Net external budgetary assistance (including debt relief and excluding assistance for project and bank restructuring)	Asymmetric -favorable deviations	100 percent	None
Sri Lanka ESAF I (09/13/91)	NIR, NDA, NDC to central Government and NDC NDC and credit to PEs	Net (cash) external financing Debt conversion of certain PEs	Symmetric -favorable deviations -unfavorable deviations	100 percent 100 percent	Cap/floor: SDR 30 million
ESAF II (10/09/92)	NIR, NDA, NDC, NDC to central Government, and credit to PEs	Net (cash) external financing from ADB and IBRD	Symmetric 6/ -favorable deviations -unfavorable deviations	100 percent on 9/92 80 percent on 12/92 50 percent on 6/93	Cap/floor: SDR 30 million
Tanzania ESAF I (07/29/91)	Increase in NDA and NDC to Government Increase in NDC to Government and credit to public enterprises	Net (cash) external financing Debt conversion of certain PEs	Asymmetric -favorable deviations NB: consultation with staff in case of unfavorable deviations	100 percent	None
ESAF II (11/25/92)	Increase in NDA and NDC to Government Increase in NDA	Net (cash) external financing; and privatization proceeds	Asymmetric -favorable deviations	100 percent	None
Togo ESAF II (06/25/90)	NDC to Government	(i) Net (cash) external financing (ii) Rescheduling	Asymmetric -favorable deviations	100 percent	None
ESAF III (05/20/92)	NDA and NDC to Government Treasury domestic payments arrears	Net (cash) external financing (including debt relief).	Asymmetric -favorable deviations	100 percent	None

Table 2 (concluded). Annual ESAF Arrangements Approved During 1990-93--
In-Built Contingency Mechanisms (ICMs)

Country and arrangement (Approval date)	Performance criteria (PC) subject to adjustment 1/	Adjustors (from program baseline)	Mechanism 2/		
			Nature	Adjustment clause 3/	Threshold
Uganda					
ESAF II (9/10/90)	...	...	...	...	...
ESAF III (11/8/91)	...	...	...	...	...
ESAF IV (11/25/92)	...	...	...	...	...
Zimbabwe					
ESAF I (09/11/92)	NDA	Net (cash) external financing	Asymmetric -favorable deviations	100 percent	None

Source: Board documents.

1/ PC--performance criteria; NDC--net domestic credit; NIR (and GIR)--net (and gross) international reserves; NDA--net domestic assets; NFA--net foreign assets; PEs--public enterprises.
2/ The ICM had a trigger point in only two country-cases: Guinea under ESAF I (cf. oil import price of US$200/mt); and Guyana under ESAF I, II and III.
3/ Defines the maximum adjustment of targets used as performance criteria, with the adjustment expressed in percent of the adjustor's deviations from the program baseline.
4/ Same ICM attached to ESAF II- and ESAF III-supported programs.
5/ For the first half of 1993 only.
6/ Benchmarks for 1993 were to be adjusted by 100 percent if expected domestic interest payments by the government deviated from its programmed level and if domestic credit for bank restructuring was reduced.

Table 3. ESAF: Exogenous Developments and Contingency Provisions 1/

Country and ESAF arrangement	Unforeseen exogenous developments: Weather/ harvest	Terms of trade 2/ (Percentage deviation)	Foreign remittances	Political conflicts	Balance of payments financing 3/	Reserves: Build-up 4/	Target (In months of imports)	Outcome (In months of imports)	Adjustment clause for shocks in external financing 5/
Bangladesh I	Cyclone	-3.4	Smaller		Excess	Yes	1.9	3.0	
Bangladesh II		1.8	Larger		Shortfall	Yes	3.0	5.5	
Bangladesh III	Favorable	-1.9	Larger			Yes	5.4	6.5	
Bolivia II	Unfavorable	-1.3			Shortfall	No	5.2	3.9	
Bolivia III	Flood	-2.5			Excess	Yes	4.8	4.7	Symmetrical
Burundi I		-6.7		In border countries	Shortfall	Yes	3.5	4.0	
Gambia II	Favorable	11.9			Shortfall	Yes	2.7	2.4	Symmetrical
Gambia III	Unfavorable	0.0			Shortfall	Yes	4.9	5.0	Symmetrical
Ghana II	Unfavorable	-0.7			Excess	No	2.4	2.9	
Ghana III	Favorable	0.1				Yes	4.3	4.1	
Guinea I	Favorable	0.6			Shortfall	No	3.5	3.7	Asymmetrical
Guyana I	Unfavorable	-0.3			Shortfall	Yes	1.0	1.5	Asymmetrical
Guyana II	Favorable	1.0				...	...	...	Symmetrical
Honduras I		-5.8			Shortfall	Yes	3.1	2.6	Symmetrical
Kenya I		-7.6			Excess	No	2.3	2.1	
Kenya II	Favorable	-6.0			Shortfall	Yes	2.5	0.5	Asymmetrical
Lesotho I	Drought	...	Smaller			Yes	1.6	2.4	
Lesotho II	Drought	...	Larger			Yes	3.1	2.8	
Madagascar I		-8.1			Excess	Yes	6.1	8.2	Asymmetrical
Madagascar II	Unfavorable	-14.3			Shortfall	Yes	6.9	2.1	Asymmetrical
Malawi II		1.0			Shortfall	Yes	4.3	3.0	Asymmetrical
Malawi III		-0.1			Excess	Yes	4.0	3.4	Asymmetrical
Malawi IV	Drought	-23.9		Labor unrest	Shortfall	Yes	3.7	1.3	Asymmetrical
Mali I		-3.2		Social unrest		...	...	...	Symmetrical
Mozambique I	Unfavorable	-13.9		Sabotage	Shortfall	Yes	3.2	3.0	Asymmetrical
Mozambique II	Drought	-8.7		Civil conflict	Shortfall	Yes	4.1	4.5	Asymmetrical
Nepal I	Poor monsoon	-1.9			Shortfall	No	5.1	6.2	Symmetrical
Niger I	Unfavorable	-2.0			Shortfall	No	5.0	5.8	Asymmetrical
Niger II	Unfavorable	2.6		Civil unrest	Shortfall	No	5.8	5.8	Asymmetrical

Table 3 (concluded). ESAF: Exogenous Developments and Contingency Provisions 1/

Country and ESAF arrangement	Unforeseen exogenous developments: Weather/ harvest	Terms of trade 2/ (Percentage deviation)	Foreign remittances	Political conflicts	Balance of payments financing 3/	Reserves: Build-up 4/	Target (In months of imports)	Outcome (In months of imports)	Adjustment clause for shocks in external financing 5/
Senegal II		-4.5		Border tensions		...	...	...	Asymmetrical
Senegal III		-2.9				...	...	...	Asymmetrical
Sri Lanka I		3.2		Civil conflict	Excess	Yes	2.1	2.7	Symmetrical
Sri Lanka II	Drought	2.8		Civil conflict	Excess	Yes	3.3	3.3	Symmetrical
Tanzania I		...				Yes	2.0	3.2	Asymmetrical
Togo I	Favorable	1.2				Yes	7.8	6.2	Asymmetrical
Togo II	Poor weather	1.9		Civil unrest		Yes	6.5	6.5	Asymmetrical
Uganda I	Favorable	-26.7			Excess	Yes	1.4	0.4	
Uganda II	Unfavorable	5.7			Excess	No	0.6	0.6	
Uganda III	Unfavorable	-58.5				Yes	1.4	1.6	

Source: Board documents; and staff estimates.

1/ Most recent annual arrangements for which a full program year or the mid-term review was completed, and reviewed by the Board by August 1993.
2/ Difference between the programmed target and the actual (or estimated) outturn.
3/ Excluding shortfall/excess of project financing, and based on assessment reported in Board documents.
4/ Compared with the previous year's level.
5/ Adjustment in quantitative benchmarks/performance criteria in response to external financing. Asymmetrical adjustments refer to downward adjustment in total bank credit or net domestic credit to government when external financing (as defined in footnote 3) was larger than programmed.

Note: Data for Ghana have been corrected compared to the earlier versions.

Table 4. Social Safety Nets in the most Recent ESAF Programs for 29 Countries that have been Supported by the ESAF

Country (Most Recent Program)	Social Safety Net (SSN) Measures Taken 1/					Administrative Capacity for SSN 2/
	Targeted Consumer Subsidies	Targeted Cash Transfers	Severance Public Sector Retrenched	Public Works or Special Programs	Social Expenditure Mix	
Albania (ESAFI) 3/	+	+/-	+	+	..	-
Bangladesh (ESAFIII) 3/	+	..	+B,D	++	+++	+
Benin (ESAFI)	..	..	+	+	++	-
Bolivia (ESAFIV)	..	..	..	++	++Q	++
Burkina-Faso (ESAFI)	..	..	..	+	+	..
Burundi (ESAFII)	..	..	..	..	+	..
Equatorial Guinea (ESAFI)	..	..	..	+	+	+
Gambia, The (ESAFIII)	..	..	..	+	+Q	..
Ghana (ESAFIII)	..	..	+	+	+	..
Guinea (ESAFII)	..	..	..	+	..	..
Guyana (ESAFIII)	..	+	..	+	..	..
Honduras (ESAFI)	+	..	+	+	+	..
Kenya (ESAFIII) 3/	+	..	..	..	..	-
Lao, PDR (ESAFI) 3/	..	..	+B	..	+Q,B	+
Lesotho (ESAFIII) 3/	..	..	..	+	+	..
Madagascar (ESAFII)	..	..	..	+/-	+	-
Malawi (ESAFIV)	..	..	..	+	+Q	..
Mali (ESAFI)	..	..	+	+	+	-
Mauritania (ESAFII)	..	..	..	+	+Q	..
Mongolia (ESAFI)	..	..	+	+	..	+
Mozambique (ESAFIII)	+	+	..	+	++B	+
Nepal (ESAFI)	+	..	++D	+/-	+	..

Table 4 (concluded). Social Safety Nets in the most Recent ESAF Programs for 29 Countries that have been Supported by the ESAF

Country (Most Recent Program)	Social Safety Net (SSN) Measures Taken 1/					Administrative Capacity for SSN 2/
	Targeted Consumer Subsidies	Targeted Cash Transfers	Severance Public Sector Retrenched	Public Works or Special Programs	Social Expenditure Mix	
Niger (ESAFII)	..	..	..	+B,D	+	..
Senegal (ESAFIII)	..	..	..	+	+	..
Sri Lanka (ESAFII)	+	..	+	++B	++	+
Tanzania (ESAFII)	..	..	++B	..	++Q,B	+
Togo (ESAFIII)	..	..	..	+	+	..
Uganda (ESAFIV)	..	..	++	+	++Q	-
Zimbabwe (ESAFI/EFF) 3/	+	..	++	++	++	++

Source: Board documents.

Notes:

1/ The social safety net (SSN) measure is: partly implemented (+/-), a small (+), medium (++) or large (+++) operation; (..) no information in Board documents; has major involvement of Bank (B) or donors (D); has quantified targets for spending (Q).
2/ Capacity is: weak (-), reasonable (+), strong (++).
3/ Technical assistance was provided by the Bank in the design of social safety nets.

Table 5. ESAF-Eligible Countries--Military Expenditure

Country	Military expenditure as percent of: GDP	Government expenditure	Year of data
Military expenditure at or below 2 percent of GDP			
Bangladesh 1/	1.3	8	1991
Bhutan	--	--	1991
Bolivia	2.0	13	1991
Cape Verde	1.8	5	1992
Côte d'Ivoire	1.6	10	1991
Dominican Republic	0.6	5	1990
Ghana	0.8	5	1992
Guyana 1/	1.3	2	1991
Haiti	1.8	18	1990
Madagascar	1.1	8	1991
Malawi	1.1	4	1992/93
Maldives	--	--	1990
Mongolia	1.8	5	1992
Nepal	1.1	6	1991
Niger	0.8	3	1990
Nigeria	0.8	3	1991
Philippines	1.8	13	1991
Senegal	1.9	10	1991/92
Solomon Islands	--	--	1988
Somalia	1.1	3	1990
St. Kitts and Nevis	--	--	1987
St. Vincent	1.8	6	1990
Sudan	1.9	6	1991/92
Tonga	--	--	1991
Vanuatu	--	--	1989
Military expenditure from 2 to 4 percent of GDP			
Afghanistan	3.8	30	1990/91
Burkina Faso	2.2	11	1991
Burundi 2/	3.2	22	1992
Equatorial Guinea	2.5	11	1992
Guinea-Bissau	...	4	1989
India	2.7	15	1991/92
Kenya 2/	2.8	9	1990/91
Lesotho 2/	3.8	7	1991
Liberia	2.3	9	1988
Mali	2.1	9	1992
Mauritania 2/	3.4	15	1991
Myanmar	3.8	26	1992/93
Sierra Leone	2.7	13	1991/92
Togo 2/	3.1	13	1991
Uganda 2/	3.7	23	1990/91
Zaïre	2.7	17	1988
Zambia	2.6	10	1992
Zimbabwe 2/	3.8	10	1992/93
Military expenditure over 4 percent of GDP			
Albania 1/	5.6	9	1991
Angola	5.7	15	1991
Cambodia	4.7	48	1992
Chad	4.4	14	1991
Djibouti	7.4	17	1991
Egypt	4.4	11	1992/93
Ethiopia 3/	4.8	16	1991/92
Honduras 1/	6.6	29	1990
Mozambique 2/	10.2	17	1992

Table 5 (concluded). ESAF-Eligible Countries--Military Expenditure

Country	Military expenditure as percent of: GDP	Government expenditure	Year of data
Nicaragua	4.5	15	1992
Pakistan 3/	6.0	29	1992/93
Rwanda 3/	6.3	25	1991
Sri Lanka 2/	4.2	15	1992
Tanzania 1/	6.9	16	1990
Yemen, Republic of	13.2	28	1992
Data not available			
Benin	...	...	...
C.A.R.	...	...	...
Comoros	...	...	...
Dominica	...	...	...
Gambia, The	...	...	...
Grenada	...	...	...
Guinea	...	...	...
Kiribati	...	...	...
Lao P.D.R. 2/	...	...	...
Sao Tomé and Principe	...	...	...
St. Lucia	...	...	...
Viet Nam	...	...	...
Western Samoa	...	...	...

Sources: Data from Article IV staff reports, or the Government Financial Statistics except where otherwise noted.

1/ Data from Stockholm International Peace Research Institute (SIPRI).
2/ Military spending issues were addressed in ESAF-supported programs.
3/ Military spending issues were addressed in SAF-supported programs.

Table 6. Fund Technical Assistance -
Most Recent ESAF Arrangements for 29 Countries
that have been Supported by the ESAF

Country	Program (year approved)	Selected structural benchmarks or performance criteria (*)/ policy undertakings 1/	Fund technical assistance 2/				
			FAD		CBD/MAE		LEG
			Mission (purpose)	Resident advisor	Mission (purpose)	Resident advisor	(Banking/fiscal legislation)
Albania	ESAF I (1993)	Tax reform -formulate tax administration action plan, in collaboration with Fund TA mission (*) -implement action plan on tax and customs administration (*) -establish Treasury Dept. and functions (*) -introduce a property/land tax	1991a (tax and customs system) 1991b (tax and customs system) 1992a (income tax and tariff) 1992b (expenditure) 1992c (Treasury) 1992d (tax administration/ training) 1992e (tax administration/ land tax) 1993a (state enterprises monitoring unit) 1993b (tax administration/ training) 1993c (TA review/planning) 1993d (macroeconomic policy) 1993e (tax and customs administration)	1992 (tax and customs administrations			
		Monetary policy -introduce system of bank checks (*) -prepare for the introduction of Treasury bill			1991a (w/ LEG, banking legislation) 1991b (central bank reform) 1992a (central bank operation) 1992b (central bank reform) 1992c (central bank operation) 1992d (central bank reform) 1992e (monetary and foreign exchange policy) 1993a (operation of monetary policy) 1993b (government security market, payment system, foreign exchange operation and banking supervision) 1993c (foreign exchange operation) 1993d (w/ LEG, T-bill market, payment system)	1992 (accounting and central bank operation) 1993 (monetary policy operation)	1991 (w/ MAE) 1993 (w/ MAE)

Table 6 (continued). Fund Technical Assistance -
Most Recent ESAF Arrangements for 29 Countries
that have been Supported by the ESAF

Country	Program (year approved)	Selected structural benchmarks or performance criteria (*)/ policy undertakings 1/	Fund technical assistance 2/				
			FAD		CBD/MAE		LEG
			Mission (purpose)	Resident advisor	Mission (purpose)	Resident advisor	(Banking/fiscal legislation)
Bangladesh	ESAF III (1992)	Tax reform -collect Tk 35 billion from 4 main NBR taxes (income, excise, VAT, and customs duties) during July - December 1992 (*) -collect Tk 17.7 billion from 4 NBR taxes during July - September 1992 (*) -expand the base of VAT, reform personal and company taxes Central banking -strengthen bank supervision by Bangladesh Bank	1990a (VAT) 1990b (VAT) 1991 (VAT)	1989-91 (VAT)	1990 (Bangladesh Bank securities) 1991 (bank supervision) 1992 (exchange market)		
Benin	ESAF I (1993)	Tax reform -extend VAT to Telecom and cement (*) -adopt new procedures for taxing foreign financed projects (*) -reform corporate profit and petroleum product taxation	1991 (tax reforms)	1989- (taxation) 1990- (budgetary procedures)			
Bolivia	ESAF IV (1992)	Fiscal reform -strengthen tax and customs administration including privatizing customs house operation Central Banking -approve Central Bank law and banking system law in Congress (*) -reconcile and recapitalize Central Bank (*)	1992a (VAT) 1992b (budget management and expenditure control) 1992c (pension system) 1993 (tax administration)	1990-92 (tax administration)	1990 (w/ LEG, Central Bank organization) 1991 (w/ LEG, Central Bank organization) 1992a (w/ LEG, banking legislation) 1992b (Central Bank administrative reform) 1992c (Central Bank recapitalization) 1993a (Central Bank administrative reform) 1993b (T-bill auction)	1990-91 (research and financial programming) 1991-92 (accounts)	1990, 1991, 1992 (all w/ MAE)

Table 6 (continued). Fund Technical Assistance -
Most Recent ESAF Arrangements for 29 Countries
that have been Supported by the ESAF

Country	Program (year approved)	Selected structural benchmarks or performance criteria (*)/ policy undertakings 1/	Fund technical assistance 2/				
			FAD		CBD/MAE		LEG
			Mission (purpose)	Resident advisor	Mission (purpose)	Resident advisor	(Banking/fiscal legislation)
Burkina Faso	ESAF I (1993)	Tax reform -replace current system of oil product taxation by a system of VAT/import duties/excise taxes (*) -submit draft law introducing single VAT rate (*)	1992a (seminar on VAT) 1992b (tax administration and VAT) 1993 (budget planning)	1993a (tax reform) 1993b (budget planning and control)			
Burundi	ESAF II (1992)	Tax system -introduce an ad valorem tax on tobacco and petroleum products -revise coffee export tax structure -limit tax exemption -improve tax and customs administration Exchange system -refrain from introducing/intensifying restrictions on payments for current account transactions (*) -introduce a flexible exchange rate arrangement	1990 (export taxation) 1993 (tax and customs administration)		1991a (PDR/AFR, exchange system options) 1991b (financial sector reform) 1992 (PDR/AFR, exchange system options) 1993 (monetary programming)		
Equatorial Guinea	ESAF I (1993)	Tax system -improve tax administration, including reorganization of the tax department and personnel training, new taxpayer identification system, and new procedures for tax collection.	1993 (regional tax and tariff reform)	1992-93 (tax administration/ training)			
The Gambia	ESAF IV (1990)	Monetary policy -eliminate direct credit controls and move to a system of liquidity management	1991 (expenditure control)		1991 (w/ LEG, financial legislation)	1991a (research) 1991b (banking supervision)	1991 (w/ MAE)

Table 6 (continued). Fund Technical Assistance -
Most Recent ESAF Arrangements for 29 Countries
that have been Supported by the ESAF

Country	Program (year approved)	Selected structural benchmarks or performance criteria (*)/ policy undertakings 1/	Fund technical assistance 2/				
			FAD		CBD/MAE		LEG
			Mission (purpose)	Resident advisor	Mission (purpose)	Resident advisor	(Banking/fiscal legislation)
Ghana	ESAF III (1991)	Fiscal reform -reform the structure of taxes on capital and investment income -strengthen tax administration Monetary policy -phase in an indirect system of monetary control Exchange system -deepen interbank exchange market	1989 (capital income tax reform) 1990 (expenditure control)		1989 (instruments of monetary control)		
Guinea	ESAF I (1991)	Fiscal reform -collect GF 103 billion from mining sector (*) -prepare an inventory of existing tax exemptions (*) Central banking -introduce prudential ratios for deposit money banks by end-1991 -upgrade CBG bank supervision capabilities -continue flexible interest rate policy	1991 (tax policy/system)			1989-90a (principal advisor) 1989-90b (foreign exchange) 1989-90c (accounting) 1989-90d (credit and research) 1991-92a (principal advisor) 1991-92b (credit and research)	

Table 6 (continued). Fund Technical Assistance -
Most Recent ESAF Arrangements for 29 Countries
that have been Supported by the ESAF

Country	Program (year approved)	Selected structural benchmarks or performance criteria (*)/ policy undertakings 1/	Fund technical assistance 2/				
			FAD		CBD/MAE		LEG
			Mission (purpose)	Resident advisor	Mission (purpose)	Resident advisor	(Banking/fiscal legislation)
Guyana	ESAF III (1992)	Tax reform -initiate IDB project to improve tax administration (*) Central banking -strengthen the capacity of BOG (T-bill auction, open market operation) Exchange system -continue avoidance of restrictions in the operation of the exchange market (*)			1991 (WHD, T-bill auction) 1993 (monetary management)	1990-93 (research) 1991-93 (bank supervision)	1992 (financial legislation)
Honduras	ESAF I (1992)	Tax system -intensify the ongoing programs to improve tax administration Monetary policy -adopt bi-weekly program of open market operation (*) -eliminate interest rate subsidy on central bank rediscount lines for basic grain (*) Exchange system -allow banks and foreign exchange houses to conduct all transactions at freely determined rates (*)	1993a (system for monitoring public agencies) 1993b (sales tax)		1993 (monetary programming and Central Bank law)		
Kenya	ESAF III (1991)	Fiscal reform -intensify monitoring of the fiscal situation (*) -rationalize the structure and strengthen the administration of VAT Monetary policy -develop an active secondary money market in treasury security to facilitate indirect monetary control	1990a (public enterprises) 1990b (expenditure control) 1991 (VAT)		1990a (reserve management) 1990b (capital market)	1989- (open market operation)	

Table 6 (continued). Fund Technical Assistance -
Most Recent ESAF Arrangements for 29 Countries
that have been Supported by the ESAF

Country	Program (year approved)	Selected structural benchmarks or performance criteria (*)/ policy undertakings 1/	Fund technical assistance 2/				
			FAD		CBD/MAE		LEG
			Mission (purpose)	Resident advisor	Mission (purpose)	Resident advisor	(Banking/fiscal legislation)
Lao, PDR	ESAF I (1993)	Tax reform -introduce land tax and registration tax -reactivate minimum corporate income tax -collect tax revenue as targeted (*) -adopt double entry bookkeeping accounting system by the Treasury (*) Monetary policy -develop indirect tools of monetary management	1990 (tax policy and administration) 1991 (tax policy and administration) 1992a (tax policy and administration) 1992b (public expenditure management)	1993a (tax and customs administration) 1993b (Treasury)	1989 (w/ LEG, Central Bank law)	1989-91 (general advisor) 1992-93 (research and statistics)	1989 (with CBD)
Lesotho	ESAF III (1993)	Fiscal reform -prepare for replacing existing general sales tax with VAT -increase frequency of T-bill auction (*) Monetary policy -introduce Central Bank securities -improve management of foreign exchange reserves	1992 (VAT) 1993 (VAT)	1990-92 (fiscal advisor)	1991 (financial instruments and Treasury) 1993 (banking supervision)	1989-92a (advisor to Governor) 1989-92b (banking supervision) 1990-91 (audit) 1992 (central bank operation)	1992 (tax laws)
Madagascar	ESAF II (1990)	Fiscal reform -present budget on three agreed bases (*) -strengthen tax collection Monetary policy -introduce new money market (*) Exchange system -abolish restrictions on transfers of dividends and private debt service payments (*)	1988a (income and profit tax) 1988b (expenditure control) 1989a (export taxation) 1989b (tariff reform)		1989 (monetary policy) 1993 (exchange system and liquidity of the banking system)	1993 (banking supervision)	

Table 6 (continued). Fund Technical Assistance -
Most Recent ESAF Arrangements for 29 Countries
that have been Supported by the ESAF

Country	Program (year approved)	Selected structural benchmarks or performance criteria (*)/ policy undertakings 1/	Fund technical assistance 2/				
			FAD		CBD/MAE		LEG
			Mission (purpose)	Resident advisor	Mission (purpose)	Resident advisor	(Banking/fiscal legislation)
Malawi	ESAF IV (1991)	Monetary policy -improve the operation of RBM bill auction and harmonize the movements of the auction rate and discount rate Exchange system -provide a study on external competitiveness to the Fund (*)			1989 (capital market) 1991 (modernization of central banking operations) 1992a (modernization of central banking operations) 1992b (banking supervision)	1990-92 (securities markets)	
Mali	ESAF I (1992)	Tax system -strengthen tax and customs administration -reduce tax exemptions -closely monitor VAT and TPS	1990 (tax reform) 1992 (fiscal performance)	1988-91 (public finance)			
Mauritania	ESAF II (1992)	Tax reform -submit to the IMF draft outline on the VAT (*) -submit to the IMF a study on taxation of the agricultural, livestock, and mining sectors (*) -submit to the IMF draft outline on the reform of taxation system for the fisheries sector (*) Interest rate policy -liberalize interest rates (*) Exchange system -eliminate limits imposed on acquisition and transfers of foreign exchange by residents through the free market for transactions on invisibles (*) -eliminate preferential exchange rate for workers' remittances (*)	1992 (tax administration)		1991 (monetary management and banking supervision) 1992a (banking system reform) 1992b (PDR, exchange system) 1992c (exchange system reform) 1992d (bi-monthly visits on exchange system)	1989-92 (advisor to Governor) 1989-93 (external debt)	

Table 6 (continued). Fund Technical Assistance -
Most Recent ESAF Arrangements for 29 Countries
that have been Supported by the ESAF

Country	Program (year approved)	Selected structural benchmarks or performance criteria (*)/ policy undertakings 1/	Fund technical assistance 2/				
			FAD		CBD/MAE		LEG
			Mission (purpose)	Resident advisor	Mission (purpose)	Resident advisor	(Banking/fiscal legislation)
Mongolia	ESAF I (1993)	Fiscal reform -establish treasury function within Ministry of Finance (*) -introduce a customs valuation code -establish individual taxpayer identification number -modify the social security system	1990 (tax reform/ administration) 1991a (tax reform/ administration) 1991b (sales tax) 1991c (sales tax) 1991d (w/ LEG, sales tax legislation) 1992a (budgeting) 1992b (customs administration) 1992c (sales tax) 1993a (customs administration) 1993b (budget)	1993 (budgeting)			1991 (w/ FAD)
		Monetary policy -develop indirect monetary policy instruments -strengthen banking supervision -improve clearing and payment system			1991a (Central Bank reform) 1991b (banking supervision and payment mechanism) 1992a (central banking)	1992-93 (bank supervision) 1993-94 (monetary policy and research)	
		Exchange system -maintain the floating rate system adopted on May 27, 1993 -avoid government intervention to influence the exchange rate			1992b (exchange system reform) 1992c (exchange market and reserve management) 1992d (clearing and settlement) 1993a,b (exchange market and reserve management)		

Table 6 (continued). Fund Technical Assistance - Most Recent ESAF Arrangements for 29 Countries that have been Supported by the ESAF

Country	Program (year approved)	Selected structural benchmarks or performance criteria (*)/ policy undertakings 1/	Fund technical assistance 2/				
			FAD		CBD/MAE		LEG
			Mission (purpose)	Resident advisor	Mission (purpose)	Resident advisor	(Banking/fiscal legislation)
Mozambique	ESAF III (1992)	Tax system -improve tax and customs administration -eliminate the temporary import tax exemption for foodstuffs -switch from specific to ad valorem stamp tax Interest rate policy -maintain positive real interest rates (*) Exchange system -unify the special and secondary exchange rates, once two thirds of tied aid becomes untied (*)	1990a (customs and indirect taxation) 1990b (tariff reform) 1991 (accounting and payment) 1993 (tax system and VAT)	1990-91 (customs administration)	1992 (accounting) 1990 (exchange market) 1991 (exchange market) 1993 (payments system and exchange market	1986-90 (macroeconomic advisor) 1986-91 (accounting) 1987-90 (organization) 1992 (accounting)	
Nepal	ESAF I (1992)	Tax reform -formulate and announce structural reform of the tax system (*) Monetary policy -introduced weekly auction of T-bills (prior action) -merge cash and reserve requirements and widen scope of the penalty for noncompliance Exchange system -announce movement of industrial machinery to the free market for foreign exchange (*)	1990 (public enterprises) 1992 (tax reform) 1993 (expenditure monitoring and control)		1991 (monetary control) 1992 (monetary management)	1989- (T-bill auction)	
Niger	ESAF II (1990)	Tax policy -implement various discretionary measures to increase tax revenues Monetary policy -maintain a flexible interest rate policy	1990 (tax policy implementation)			1985-90 (external debt data management) 1990- (external debt data management)	

Table 6 (continued). Fund Technical Assistance - Most Recent ESAF Arrangements for 29 Countries that have been Supported by the ESAF

Country	Program (year approved)	Selected structural benchmarks or performance criteria (*)/ policy undertakings 1/	Fund technical assistance 2/				
			FAD		CBD/MAE		LEG
			Mission (purpose)	Resident advisor	Mission (purpose)	Resident advisor	(Banking/fiscal legislation)
Senegal	ESAF III (1991)	Fiscal reform -integrate relevant Treasury's special accounts and the accounts of the CPSP into the regular budgetary and expenditure control processes (*) -restructure the tax and customs administration -introduce an "equalization" tax for small business and a levy on the sugar sector Central banking -reinforce bank supervision and put into place reserve requirements	1989 (fiscal reform and taxation of petroleum products)	1986-89 (taxation) 1991-92 (customs administration)			
Sri Lanka	ESAF II (1992)	Tax system -rationalize the turnover tax, reduce the number of rate bans, prepare for the introduction of VAT in 1994 (*) Monetary policy -terminate lending by foreign currency banking units to Sri Lanka residents (other than those covered by GCEC) (*) Exchange system -eliminate remaining restrictions on current account transactions	1990a (tax administration) 1990b (customs administration) 1992a (tax administration project) 1992b (VAT) 1992c (cash management procedures)	1991-93 (tax administration project) 1992-93 (customs administration)	1990 (monetary policy instruments) 1991 (banking legislation)		

Table 6 (continued). Fund Technical Assistance -
Most Recent ESAF Arrangements for 29 Countries
that have been Supported by the ESAF

Country	Program (year approved)	Selected structural benchmarks or performance criteria (*)/ policy undertakings 1/	Fund technical assistance 2/				
			FAD		CBD/MAE		LEG
			Mission (purpose)	Resident advisor	Mission (purpose)	Resident advisor	(Banking/fiscal legislation)
Tanzania	ESAF II (1992)	Tax policy -collect government revenues of TSh 97 billion by end-December 1992 (*) -prepare for the introduction of a VAT in 1994 Monetary policy -prepare for the introduction of open market operation in government securities in 1993/94 Exchange system -reduce the spread between the official and the bureau exchange rates to 15 percent or below in Q1 1993 -increase the volume of transactions in the bureau market with a view to unify the exchange system by the end of ESAF III	1992 (public expenditure management)			1991-93a (bank supervision) 1991-93b (monetary policy implementation)	
Togo	ESAF III (1992)	Tax system -revamp the tax system to improve the coverage of the informal sector, action program prepared with Fund TAs -improve customs administration	1990 (tax policy/system) 1991 (tax policy/system) 1992 (tax policy/system)				

Table 6 (concluded). Fund Technical Assistance - Most Recent ESAF Arrangements for 29 Countries that have been Supported by the ESAF

Country	Program (year approved)	Selected structural benchmarks or performance criteria (*)/ policy undertakings 1/	Fund technical assistance 2/				
			FAD		CBD/MAE		LEG
			Mission (purpose)	Resident advisor	Mission (purpose)	Resident advisor	(Banking/fiscal legislation)
Uganda	ESAF IV (1992)	Tax system -implement the program of tax reform and administrative improvements that incorporates recommendations of an IMF (FAD) TA mission in 1992 -further strengthen the Uganda Revenue Authority -with Fund TAs, study the feasibility of a VAT Central banking and monetary policy -implement liberalized interest rate policy (*) -produce BOU monthly trial balances with a lag of less than four weeks (*) -reconcile monthly the accounts of the Government and BOU (*) -enact by Parliament a revised BOU act and new Financial Institutions Act (*) Exchange system -fully unify the exchange system by end-June 1993	1990 (tax system) 1992 (rationalization of petroleum taxes) 1993 (tax and tariff system)		1991 (banking system and credit control instruments) 1992 (financial system) 1993a (reserve money programming) 1993b (inter-bank exchange system) 1990 (PDR, exchange and trade system)	1991- (research)	
Zimbabwe	ESAF I (1992)	Tax system -broaden the tax base with an objective to reduce the tax burden Interest rate policy -maintain positive real interest rates (*) Exchange system -expand export retention scheme to 35 percent of export earnings (*)					

Sources: Board documents

1/ In areas of traditional Fund expertise: taxation, central banking and monetary policy, and exchange system.

2/ All technical assistance provided by the Fund's Fiscal Affairs Department (FAD), Central Banking Department (CBD), Monetary and Exchange Affairs Department (MAE) and Legal Department (LEG), i.e., excluding technical assistance provided by the Fund's Statistics Department and the IMF Institute; includes only technical assistance provided two years before and during the annual ESAF programs under this review.