

**IMPLEMENTATION OF  
CERTAIN LEGISLATIVE PROVISIONS  
RELATING TO THE  
INTERNATIONAL MONETARY FUND**



A Report to Congress

*in accordance with*

Section 1503 of the  
International Financial Institutions Act, and

Section 801(c)(1)(B) of the  
Foreign Operations, Export Financing, and Related Programs  
Appropriations Act, 2001, as required by Section 1705(a) of the International Financial  
Institutions Act

*and*

Section 605(d) of the  
Foreign Operations, Export Financing, and Related Programs  
Appropriations Act, 1999

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## Table of Contents

Introduction.....	1
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### *International Financial Institutions Act, Section 1503(a) Provisions, by Subsection*

1. Exchange Rate Stability .....	2
2. Independent Monetary Authority, Internal Competition, Privatization, Deregulation, Social Safety Nets, Trade Liberalization .....	4
3. Strengthened Financial Systems .....	8
4. Bankruptcy Laws and Regulations .....	10
5. Private Sector Involvement.....	11
6. Good Governance .....	16
7. Channeling Public Funds Toward Productive Purposes.....	17
8. Individual Economic Prescriptions .....	18
9. Core Labor Standards .....	19
10. Discouraging Ethnic and Social Strife.....	19
11. Environmental Protection .....	19
12. Greater Transparency.....	20
13. Evaluation .....	21
14. Microenterprise Lending.....	22
15. Anti-Money Laundering and Combating the Financing of Terrorism.....	22

### *Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2001, Section 801(c)(1)(B) Provisions, by Subsection*

I. Suspension of Financing for Diversion of Funds .....	24
II. IMF Financing as Catalyst for Private Sector Financing.....	24
III. Conditions for Disbursement .....	24
IV. Trade Liberalization.....	24
V. Focus on Short-Term Balance of Payments Financing.....	25
VI. Progress toward Graduation from Concessionary Financing .....	26

### *Text of Legislative Provisions*

#### *Annex 1: New IMF lending arrangements, per section 605(d) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1999*

## ***Introduction***

The report reviews actions taken by the United States to promote legislative provisions in International Monetary Fund (“IMF” or the “Fund”) country programs. This report is prepared in accordance with Section 1705(a) of the International Financial Institutions Act (“IFI Act”).<sup>1</sup> Annex 1 also covers new IMF lending arrangements per section 605(d) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1999.<sup>2</sup> Earlier reports pursuant to these provisions are available on the Department of the Treasury’s website (<http://www.treasury.gov/resource-center/international/int-monetary-fund/Pages/imf.aspx>).

Treasury and the Office of the United States Executive Director (“USED”) at the IMF consistently endeavor to build support in the IMF’s Executive Board for the objectives set by this legislation and other legislative mandates. These endeavors include meetings with IMF staff and other Board members on country programs and IMF policies, formal statements by the USED in the IMF Board, and USED votes in the Board. Treasury’s objective is to support strengthened commitments in IMF programs, policy actions by program countries, and policy decisions at the IMF itself. Treasury’s IMF task force is charged with increasing awareness among Treasury staff about legislative mandates and identifying opportunities to influence IMF decisions in line with broader U.S. international economic policy objectives.

This report is submitted in the context of responding to the global financial and economic crisis that began in 2007 and, more recently, the sovereign debt crisis in Europe. The United States has been a leader throughout this period through its own economic policies, and has collaborated closely with the Group of 20 countries (“G-20”) and the international financial institutions, including the IMF. Over this period, the IMF has acted swiftly to play a key role in crisis response. The IMF’s response has included new and more flexible lending programs to ensure members’ needs are met, enhanced surveillance to help strengthen individual countries’ economic policies and the international system, and greater resources for the poorest to mitigate the impacts of the crisis. The IMF continues to address remaining vulnerabilities in the global economy – for instance, by providing financing, in partnership with the European Union, for distressed euro area members. At the most recent G-20 leaders’ summit in Cannes, France in November 2011, members called on the IMF to provide stronger surveillance over members’ economies, including with regard to exchange rate misalignments, in order to foster the global rebalancing necessary for a sustainable global recovery. Members also agreed to further reforms of the IMF’s financial safety net and principles for guidelines on cooperation between the IMF and regional financing arrangements.

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<sup>1</sup> Section 1705(a), as codified at 22 U.S.C. § 262r-4(a), requires the Secretary of the Treasury to submit a report on the progress made to adopt the policies and reforms described in section 1503 of the IFI Act (22 U.S.C. 262o-2(a)) as well as the policies set forth in section 801(c)(1)(B) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2001.

<sup>2</sup> Public Law 105-277, title VI, § 605(d).

## *Report on specific provisions*

### **I. Section 1503(a)**

#### *(1) Exchange rate stability*

In June 2007, the IMF Executive Board adopted a new *Decision on Bilateral Surveillance over Members' Policies* ("Decision"), replacing the 1977 *Decision on Surveillance over Exchange Rate Policies* as the guiding document on surveillance. The new decision was strongly backed by the Treasury in an effort to refocus the Fund on its core mandate, as established in Article I of the IMF's Articles of Agreement, "to promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation."

Since the 2007 Decision, IMF surveillance of exchange rates has improved in both breadth and quality. The IMF's Independent Evaluation Office found that only 63 percent of Article IV reports from 1995-2005 included a clear assessment of the exchange rate's value in relation to economic fundamentals.<sup>3</sup> In contrast, both the 2008 and 2011 Triennial Surveillance Reviews found that over 90 percent had done so after the Decision.<sup>4</sup> Selected Issues papers accompanying Article IV staff reports have been increasingly devoted to exchange rate issues. The sophistication of exchange rate assessments has improved as econometric assessments of the exchange rate's equilibrium value have become more common. Despite these improvements, the IMF's bilateral exchange rate surveillance still needs improvement in its candor, consistency, and transparency. Treasury continues to advocate for these further improvements, most recently at the G-20 Summit in Cannes, France, in November 2011, where Leaders jointly called on the IMF to improve its assessments of exchange rates and to publish its assessments as appropriate. Along similar lines, at the IMF Executive Board's discussion of the IMF's Triennial Surveillance Review in September 2011, the United States Executive Director urged the IMF to further improve its exchange rate surveillance by more carefully examining reserve accumulation, exchange rate intervention, and capital account flows, and to broaden the publication of such analyses.

In light of the global economic crisis, the IMF's multilateral surveillance mission has taken on increasing importance. Enhanced multilateral surveillance by the IMF is crucial both for recovery from this crisis and prevention of future economic instability. The Framework for Strong, Sustainable, and Balanced Growth agreed to at the Pittsburgh G-20 Summit calls on the IMF to play a key advisory role in the G-20 mutual assessment process (MAP). Through the MAP, the IMF develops a forward-looking analysis of whether policies pursued by individual G-20 countries, including exchange rate policies, are collectively consistent with more sustainable and balanced trajectories for the global economy. The IMF reports regularly on its analysis to both G-20 Finance Ministers and

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<sup>3</sup> Independent Evaluation Office of the International Monetary Fund, "An IEO Evaluation of IMF Exchange Rate Policy Advice, 1999-2005," 2007.

<sup>4</sup> International Monetary Fund, "2008 Triennial Surveillance Report – Overview Paper," September 2, 2008 and "2011 Triennial Surveillance Review – Staff Background Studies," August 29, 2011.

the International Monetary and Financial Committee (“IMFC”). The IMF carried out such an assessment ahead of the November 2011 G-20 Summit in Cannes, France. Its recommendations included greater exchange rate flexibility in key emerging market economies and served as an input to the Cannes Action Plan for Growth and Jobs agreed upon by Leaders. The IMF and G-20 plan to continue this process in 2012.

Examples of United States’s activities with regard to these issues include:

- In an October 5, 2011 Board Statement on Morocco’s 2011 Article IV Review, the USED highlighted that Morocco’s moving towards greater exchange rate flexibility and inflation targeting would increase policy flexibility. Given the wide range of estimates from the CGER<sup>5</sup> assessment, the USED stated that further discussion of the staff’s conclusion that the dirham is overvalued would have been welcome, including a presentation of the results of all three CGER methodologies. Additionally, the USED stated that inclusion of new metrics developed by the IMF (with the support of the United States) to assess international reserve adequacy would have been useful to reinforce the staff’s estimation that reserve levels are comfortable.
- In a May 9, 2011 statement, the USED noted that New Zealand’s floating exchange rate has served as a buffer against external shocks, and welcomed the IMF staff’s transparent presentation of the CGER analysis of the New Zealand dollar’s real exchange rate in the 2011 Article IV.
- In a July 29, 2011 statement, the USED urged the South Korean authorities to employ less foreign exchange intervention and allow greater exchange rate flexibility and won appreciation, and encouraged them to publish information on their interventions in the foreign exchange market. The USED also encouraged IMF staff to elaborate on their assessment of the level of South Korea’s reserve holdings and to present such analysis as a regular part of bilateral surveillance.
- In the December 2010 discussion of Malawi’s Extended Credit Facility review, the U.S. called for further action on reforms to Malawi’s foreign exchange market that will allow Malawi to move to a market-determined exchange rate. The lack of adjustment to the exchange rate was leading to a significant gap with the black market exchange rate and a decline in the country’s foreign exchange reserves.

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<sup>5</sup> Consultative Group on Exchange Rate Issues (CGER): An initiative started at the IMF in the mid-1990s to provide exchange rate assessments for a number of advanced economies from a multilateral perspective. It has since broadened its mandate to cover both key advanced economies and major emerging market economies.

***(2) Policies to increase the effectiveness of the IMF in promoting market-oriented reform, trade liberalization, economic growth, democratic governance, and social stability through:***

***(A) Establishment of an independent monetary authority***

With the support of the United States, the IMF has been a consistent advocate of greater independence of monetary authorities across a range of countries. IMF conditionality frequently includes measures to strengthen central bank autonomy and accountability. The IMF also provides technical assistance to help countries achieve these goals. In addition, the Fund promotes these objectives through assessments of compliance with internationally-agreed upon standards and codes, as well as rules for safeguarding the use of IMF resources. Examples of United States activities with regard to these issues include the following:

- In a July 2011 Board statement on China's Article IV and FSAP reports, the USED agreed with IMF staff in noting that exchange rate reform is a prerequisite for reducing China's liquidity overhang, setting the stage for a transition to price-based monetary policy that would, in turn, help the Chinese authorities to retain control of lending as China's financial sector develops. The USED also urged greater autonomy for Chinese regulatory bodies. Along similar lines, Treasury Secretary Geithner, in a March 2011 speech in Nanjing, China focused largely on the IMF's recent role in dealing with the changing global economy, noted the importance of central bank independence in building resilient institutional frameworks capable of absorbing future economic and financial shocks.
- In a March 18, 2011 Board statement on Iraq's second Stand-By Arrangement, the USED commended the Iraqi authorities for passing a budget that does not jeopardize central bank independence and stated that preserving central bank independence is key to maintaining Iraq's macroeconomic stability going forward.
- In the February 2011 Board statement on Uganda's Policy Support Instrument, the USED expressed concern with Uganda's public expenditures and recourse to central bank financing. The USED recommended the Ugandan authorities sterilize this lending and rebuild reserves to reduce vulnerability to shocks and regain central bank credibility.
- In the 2011 Board statement for Vietnam's Article IV, the USED urged Vietnamese authorities to increase the independence of the central bank.
- In the discussion of Nigeria's Article IV report, the USED warned against the Nigerian central bank's extensive involvement in development finance initiatives which would be better addressed as part of the government's budget and urged the central bank to pursue a consistent set of monetary policy objectives.

***(B) Fair and open internal competition among domestic enterprises***

Although the World Bank has the lead mandate on these issues, the IMF, with United States support, encourages member countries to pursue policies that improve internal economic efficiency. These measures may include ending directed lending (or other relationships between government and businesses based on favoritism), improving anti-trust enforcement, and establishing a sound and transparent legal system. For example:

- In a February 11, 2011 Board Statement on Turkey's second Post Program Monitoring, the USED noted that Turkish authorities may wish to consider IMF staff's recommendation to phase out real estate's preferential tax treatment, which may skew incentives for investment in the sector. The USED highlighted that the increase in bank credit growth – including in the housing sector, where residential construction activity is currently outpacing demand for new housing – merits vigilance.
- In a July 29, 2011 statement, the USED encouraged South Korean authorities to expedite bank-led SME restructuring, enhance domestic competition, and create a level playing field with the tradeables sector by eliminating preferential treatment of the manufacturing sector.
- In the 2010 Board statement on Sri Lanka's Stand-By Arrangement, the USED supported Sri Lanka's efforts to undertake a wholesale reform of its investment regime in order to support improvements in Sri Lanka's international competitiveness.
- In a September 2010 Board statement on Chile's Article IV staff report, the USED urged Chilean authorities to accelerate efforts to strengthen business competitiveness and enhance labor market flexibility.
- In the August 2011 Board Statement on Ethiopia's Article IV staff report, the USED expressed concern about Ethiopia's directed lending policies, which crowd out the private sector and prevent deepening of the domestic financial sector.

### ***(C) Privatization***

The IMF has made privatization a component of those member country programs where the country's significant distortions and government ownership of business enterprises have created substantial inefficiencies in the allocation of resources and the production of goods. Collaborating with the World Bank, the Fund has supported the use of competitive and transparent means of privatization so that program countries might achieve gains in economic efficiency and improve their fiscal positions. Examples of IMF programs and surveillance discussions in which the USED has advocated privatization include the following:

- In the February 2011 discussion of Nigeria's Article IV report, the U.S. commented on Nigeria's inability to address supply-side constraints in the power and transport

sector and commended the authorities' efforts to attract private investment. In the case of the power sector, these efforts include privatization of power generation and distribution assets.

- In the third and fourth review of Ghana's Extended Credit Facility, the U.S. drew attention to the recent Financial Sector Stability Assessment's recommendation on state-owned banks, including the divestment of the Bank of Ghana's shareholdings in state-owned banks and their management on a commercial basis.
- In the July 2011 Board statement for Greece's fourth review under its Stand-By Arrangement, the USED underscored that successful privatization efforts were essential if Greek public debt was to return to a sustainable path, and added that continued political commitment, as well as the establishment of an open, transparent process for asset sales, were crucial.

#### ***(D) Economic deregulation and strong legal frameworks***

Markets are distorted and entrepreneurship is stifled without strong property rights, enforcement of contracts, and fair and open competition. While these issues are often addressed as part of the World Bank's mandate, the IMF often includes such policy advice in its programs or surveillance on measures considered critical to the member country's macroeconomic performance. Examples of United States' efforts to encourage these reforms include the following:

- In a Board Statement on January 26, 2011, the USED noted the underdeveloped state of the private sector in the Federated States of Micronesia and urged greater openness to foreign direct investment (FDI) and expatriate workers, noting that legal restrictions on joint venture investments' hiring of expatriate workers limit the volume of investment and the salutary effect of skill transfers to the local economy.
- In a July 2011 Board discussion of Indonesia's Article IV staff report, the USED encouraged the authorities to further accelerate and build inclusive growth by increasing the pace of reforms – including investing in infrastructure, tackling corruption, reforming labor markets, and removing barriers to business development.
- In the June 2011 Board statement for Hungary's first post-Stand-By Arrangement review, the USED urged the Hungarian authorities to remove sector levies, including those on the financial sector, as soon as possible, warning that such levies risked deterring FDI and undermining growth as they targeted sectors with a high foreign investment concentrations.

#### ***(E) Social safety nets***

While growth is an essential ingredient for poverty reduction, investment in human development and basic social services is also critical. Cost effective social safety nets can



play an important role in building domestic support for economic reform, and in alleviating the direct impact of economic downturns.

The IMF does not lend directly for budget support to build social safety nets. The Fund's policy advice and its focus on macroeconomic stability, however, encourage domestic policymakers to develop fiscal strategies that address the needs of the poor within a fiscal framework that is sustainable over the long-term. Reducing generalized subsidies while protecting pro-poor spending, for example, is a common theme. In the poorest countries, IMF advice is developed within a country-specific poverty reduction strategy that encourages accountability between donors and recipients.

In addition, debt relief under the Heavily Indebted Poor Countries ("HIPC") Initiative is part of a larger effort to address low-income countries' development needs. Before the HIPC Initiative, eligible countries were spending slightly more, on average, on debt service than on health and education combined. This report is submitted in the context of responding to the global financial and economic crisis that began in 2007 and, more recently, the sovereign debt crisis in Europe. The United States has been a leader throughout this period through its own economic policies, and has collaborated closely with the G-20 and the international financial institutions, including the IMF. Over this period, the IMF has acted swiftly to play a key role in crisis response. On average, such spending is about five times the amount of debt-service payments. For HIPCs, pursuant to a legislative mandate, Treasury carefully evaluates whether the IMF program allows for an increase in health and education expenditures. Also, the USED's board statements in discussions of HIPC country programs stress the importance of protecting health and education expenditures, as well as other poverty reduction and social safety net spending.

- At the June 2011 discussion of Zimbabwe's Article IV report, the USED pointed out the continued burden of ghost workers on the Zimbabwean fiscal situation, including its crowding-out effect on vital social and infrastructure spending.
- In the January 2011 discussion of Swaziland's Article IV report, the U.S. strongly urged the Swazi authorities to reconsider supplementary budget expenditures on non-priority capital projects and safeguard pro-poor expenditures in education and health care.
- In a July 2011 Board Statement on Indonesia's Article IV staff report, the USED urged Indonesian authorities to reduce fuel and other subsidies, particularly to create greater fiscal space for capital and social spending.
- In the September 2011 Board statement on Benin's Extended Credit Facility, the USED noted concern over Benin authorities' non-observance of the program's social spending target. The USED urged the prioritization of social spending and the strengthening of budget execution.

***(F) Opening of markets for agricultural goods through reductions in trade barriers***

The IMF encourages a multilateral, rules-based approach to trade liberalization across all sectors of the global economy, including, but not limited to, the agricultural sector. The IMF has played a supportive role in promoting trade liberalization, particularly in the context of the WTO trade negotiations under the Doha Development Agenda (“DDA”). The IMF is prepared, along with the World Bank, to provide transitional assistance to member countries experiencing payment imbalances arising from the passage of trade reform. In recent years, the IMF has stepped up its in-depth trade policy work in consultations with currency unions that are potentially impacted by trade liberalization, such as the Monetary and Economic Community of Central Africa (“CEMAC”) and West African Economic and Monetary Union (“WAEMU”), as well as for some other African and Western Hemisphere groupings.<sup>6</sup>

- During the June 2011 discussion of Zambia’s Extended Credit Facility, the U.S. encouraged the Zambian government to reform its pricing and marketing system for maize. The government’s high minimum price and production subsidies have led to excessive government expenditures for maize, surpluses that exceed storage capacity, and losses for any surplus sold abroad.

### ***(3) Strengthened financial systems and adoption of sound banking principles and practices***

The joint IMF-World Bank Financial Sector Assessment Program (FSAP) has emerged as a critical instrument for financial sector surveillance and advice. FSAPs are used to generate assessments of compliance with key financial sector standards such as the Basel Committee’s *Core Principles for Effective Banking Supervision*, the International Organization of Securities Commission’s *Objectives and Principles of Securities Regulation*, and the IMF’s own *Code of Good Practices on Transparency in Monetary and Financial Policies*. The FSAP assessment results are summarized in *Financial System Stability Assessments* (“FSSA”) which are often provided to the public.

The U.S. agreed to conduct an FSAP with the IMF in 2006. After allowing for some time for U.S. regulators to continue their work on implementation of Basel II capital standards, the IMF’s FSAP mission team began its work on the U.S. FSAP in 2009 and issued its report on July 30, 2010. In the FSSA, IMF staff provided the key findings of their assessment of the United States. Treasury requested that the IMF publish all documents related to the U.S. FSAP that can be published under the IMF’s rules. Accordingly, in addition to the FSSA, the IMF published seven Reports on Standards and Codes (ROSCs); seven Detailed Assessment Reports (DARs) on banking, securities, insurance, and clearing and settlement systems; and eight technical notes on stress testing, consolidated supervision, OTC derivatives, crisis management, liquidity risk management, oversight of payments, Basel II implementation, and anti-money laundering and combating the financing of terrorism. In the most recent US Article IV review (August 2011), the IMF noted that “nearly all” US FSAP recommendations had been completed or were being implemented.

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<sup>6</sup> *IMF Involvement in International Trade Policy Issues*: IMF’s Independent Evaluation Office, June 16, 2009.

FSAPs and ROSCs also play an important role in the Financial Stability Board's (FSB) newly-established peer review surveillance process to assess countries' progress in strengthening their financial systems. The FSB, which was formed in 2009, uses FSAPs and ROSCs as the basis for its assessments.

In September 2010, the USED supported the adoption of IMF management's proposal to make financial stability assessments under the FSAP a regular and mandatory part of bilateral surveillance under Article IV of the Fund's Articles of Agreement for 25 jurisdictions with systemically important financial sectors, including the United States. This decision will increase the coverage of financial stability issues in the Fund's bilateral surveillance of its members with the largest and most interconnected financial sectors, while also preserving access to the FSAP on a voluntary basis for the rest of the membership. These financial stability assessments will take place on a five-year cycle.

In the context of a December 2009 Review of the Fund's Transparency Policy, the USED noted the importance of enhanced transparency for improving the effectiveness of Fund advice, the quality of surveillance, and the Fund's legitimacy. The USED expressed strong support for a proposal to shift to the publication of ROSCs on a non-objection basis, and urged members not presently publishing their staff reports to consider the benefits of greater transparency. The United States strongly supports this increased transparency and, as a demonstration of our commitment, became the first country to request the early publication of its DARS well before the Board discussion.

The IMF also conducts financial sector surveillance through a semi-annual Early Warning Exercise (EWE) and Global Financial Stability Report (GFSR). The EWE is prepared jointly by the IMF and the FSB; the GFSR is produced by the IMF's Monetary and Capital Markets Division. In November 2008, G-20 Leaders called on the IMF and FSB to undertake EWEs. The EWE is intended to identify the most relevant tail risks to the global economy or major regions, to demonstrate how the possible emergence of these risks could be recognized, and to specify the policy changes that would need to be implemented if they were to materialize. The analysis is based on consultations with policymakers, outside experts, Article IV and FSAP findings, and internal IMF models.

The Standards and Codes Initiative, which was launched in 1999 to strengthen the international financial architecture, underwent a regular five-year review by the IMF and World Bank in early 2011. The review paid particular attention to the need to adapt the Initiative in light of the recent crisis. The USED has welcomed the IMF's active participation in the FSB process to reassess the existing set of standards and has expressed support for the proposals put forth by the Standing Committee on Standards Implementation (SCSI) Working Group to the FSB Plenary regarding the key standards.

Following the G-20 Finance Ministerial in April of 2009, the FSB and the IMF formed a working group to explore information gaps and provide appropriate proposals for strengthening financial sector data collection, and report back to the Finance Ministers and Central Bank Governors. In October 2009, the Working Group submitted this report to the Finance Ministers and Central Bank Governors, which included a list of recommendations to

fill existing information gaps. The Working Group continues to provide regular progress updates.

Some key examples of where the USED has supported the strengthening of financial systems are:

- In an October 5, 2011 statement, the USED commended the Australian Prudential Regulatory Authority (APRA) for its plans to undertake further stress tests on Australian banks and funding markets and welcomed further analysis of Australian bank conditions.
- In the May 2011 Board statement for Ireland’s first and second reviews under its Extended Fund Facility, the USED underscored that banking sector restructuring was essential to the repair of the sector and the restoration of funding market access. The estimated capital needs, as assessed by the authorities’ stress test exercises, remained well within the initial program parameters, an important condition for public debt sustainability.
- In the 2011 Board statement for Portugal’s first review under its Extended Fund Facility, the USED welcomed the efforts of Portuguese banks to increase core Tier 1 capital levels to meet 2011 and 2012 targets, which will help strengthen Portugal’s financial system.
- In the 2011 Board statement for France, the USED called for increased financial sector stability, as heightened risks remain due in part to the continued reliance of the banking sector on wholesale funding along with significant exposures to peripheral euro area countries.
- In the July 2011 Board Statement on the United Kingdom’s Article IV, the USED noted the importance of improving standards for the public disclosure of bank data, noting that a full disclosure of non-confidential data, on a quarterly basis, would enhance market discipline and confidence.

#### ***(4) Internationally acceptable domestic bankruptcy laws and regulations***

While the World Bank normally leads reviews of domestic insolvency laws, the IMF actively supports this agenda. The UN Commission on International Trade Law (“UNCITRAL”) and the World Bank have worked to compile recommendations in this area covering, respectively, insolvency law and sound insolvency/creditor rights regimes. At the urging of the United States, staff from the World Bank, IMF, and UNCITRAL worked together to develop a standardized, unified assessment methodology to assess implementation of those recommendations.

The international financial institutions provide technical assistance to help emerging market economies develop efficient insolvency regimes. The IMF and the World Bank have supported adoption of the Model Law on Cross-Border Insolvency developed by the

UN to facilitate the resolution of increasingly complex cases of insolvency where companies have assets in several jurisdictions. With the support of the United States, the IMF has worked with the World Bank to promote improved insolvency regimes in a number of countries.

**(5) *Private sector involvement***

The United States continues to work to ensure that the private sector plays an appropriate role in the resolution of financial crises. Over the past several years, the IMF, with the support of the United States, has taken important steps towards strengthening crisis prevention and resolution. The IMF has strengthened its surveillance of member countries and instilled more discipline in the use of official sector financing, especially through the establishment of rules and procedures governing exceptional access to Fund resources. Additionally, the use of collective action clauses, supported by the IMF as an accepted contractual, market-based approach to sovereign debt restructurings, should help a sovereign restructure its debt when under financial distress.

The IMF recognizes the need to preserve the fundamental principles that: (a) creditors should bear the consequences of the risks they assume; and (b) debtors should honor their obligations. Furthermore, the IMF has coordinated closely with other international financial institutions and relevant country regulatory authorities. In 2009, for example, in the context of Fund lending programs, the IMF secured voluntary commitments from major foreign banks to maintain their overall exposure levels in Hungary, Romania, Serbia, Latvia, and Bosnia. In each case, the banks issued a public statement of their commitments, which are essential to maintaining financial stability in the affected countries. Local regulators will monitor the banks' exposures. In particular, the United States has advocated policies that include:

***(A) Increased crisis prevention through improved surveillance and debt and reserve management***

The United States has urged the IMF to strengthen further its surveillance function and crisis prevention capabilities. The United States, along with other G-20 members, reaffirmed the central role of the IMF as a critical forum for multilateral consultation and cooperation on monetary and financial issues as well as in promoting international financial and monetary stability. In November 2008, G-20 Leaders called on the IMF, in collaboration with the expanded FSF and other bodies, to work to better identify vulnerabilities, anticipate potential stresses, and act swiftly to play a key role in crisis response. They also called on the IMF, given its universal membership and core macro-financial expertise, to take a leading role in drawing lessons from the current crisis, consistent with its mandate and in close coordination with the FSB and others. G-20 Leaders agreed that the IMF should conduct vigorous and even-handed surveillance reviews of all countries, as well as give greater attention to their financial sectors and better integrate the reviews with the joint IMF/World Bank financial sector assessment programs. As such, the IMF recently decided to make financial stability assessment under the FSAP a regular and mandatory part of Article IV consultations for members with systemically

important financial sectors. More recently, at the IMF's Triennial Surveillance Review in September 2011, the United States Executive Director called on the IMF to improve its external stability assessments; better integrate bilateral and multilateral surveillance; streamline its growing number of surveillance products; place a greater emphasis on risk in its surveillance; and further integrate financial sector surveillance into existing bilateral and multilateral surveillance.

The United States has joined with other G-20 members in calling on the IMF to play a key role in the mutual assessment process (MAP) under the recently agreed Framework for Strong, Sustainable, and Balanced Growth. Through the MAP, the IMF develops a forward-looking analysis of whether policies pursued by G-20 countries are collectively consistent with sustainable and balanced trajectories for the global economy. In addition, the United States has worked consistently to promote global rebalancing, and the IMF has increased its attention to this issue. For economies running large current account surpluses, the USED has regularly called for stronger and sustainable domestic demand.

As part of its overhaul of its non-concessional lending framework in early 2009, the IMF created the Flexible Credit Line ("FCL"), which raises access limits, streamlines conditionality, and simplifies cost and maturity structures, thereby making it easier for the strongest-performing member countries to access resources. In spring 2009, the IMF board approved FCLs for Mexico, Poland, and Colombia. In August 2010, the FCL was enhanced to provide greater potential resources to the same caliber of highest-performing member countries. At the same time, the IMF also created the Precautionary Credit Line ("PCL"), a similar instrument for strongly-performing countries with some vulnerabilities, which entails more limited access than the FCL and some conditionality. In January 2011, the IMF board approved a PCL for Macedonia. In November 2011, the PCL was renamed the Precautionary and Liquidity Line ("PLL") in order to enhance the IMF's flexibility in providing short-term liquidity to countries of a similarly-strong standard. Also in November 2011, the IMF streamlined previously-existing instruments to create the Rapid Financing Instrument ("RFI") in order to provide emergency financing to countries experiencing natural disasters, political transitions, or temporary external shocks. Combined with responsive policy actions by country authorities, these instruments can help to support a reduction in risk perception and contribute to stabilizing financial market conditions.

### ***(B) Strengthening of emerging markets' financial systems***

The IMF continues to work with other IFIs to promote stronger financial systems in emerging market economies (also see Section 3). The 2007 Malan Report concluded that both the IMF and the World Bank play an important role in helping emerging economies address the challenges of globalization and obtain its benefits. It also recommended that their cooperation in this area be based on their comparative expertise, with the IMF taking the lead in instances where there are significant issues of domestic or global economic stability, and the World Bank leading in instances where financial sector development issues are paramount.

The IMF is also actively involved with the World Bank in monitoring the implementation of the Basel *Core Principles for Effective Banking Supervision*. The IMF, with United States support, has increased its cooperation with the World Bank in this area, through the joint FSAP and in assessing countries' observance of other standards and codes.

In November 2008, G-20 Leaders called on advanced economies, the IMF, and other international organizations to provide capacity-building programs for emerging market economies and developing countries on the formulation and implementation of new major regulations, consistent with international standards. About two-thirds of IMF technical assistance goes to low- or lower-middle-income countries. Technical assistance is provided in the Fund's areas of core expertise, including financial sector sustainability. Countries have asked for Fund assistance to address weaknesses identified in FSAPs, to adopt and adhere to international standards and codes, implement recommendations from off-shore financial center assessments, and strengthen measures to combat money laundering and the financing of terrorism. To meet the rising demand for Fund capacity-building programs, as well as to better coordinate assistance delivery, the Fund is seeking to strengthen its partnerships with donors by engaging them on a broader, longer-term, and more strategic basis. Towards this end, the Fund has initiated a pooling of donor resources in multi-donor trust funds that will supplement the Fund's own assistance. The funding model operates by region and topic, and will include a focus on providing technical assistance on financial sector stability and development.

In November 2010 at the Seoul Summit, G-20 Leaders tasked the IMF, FSB and World Bank to draft a report on financial stability issues especially relevant to emerging markets and developing economies (EMDEs). *Financial Stability Issues in Emerging Markets and Developing Economies*, published in October 2011, covers five main areas: the application of international financial standards; the promotion of cross-border supervisory cooperation; expansion of the regulatory and supervisory perimeter; management of foreign exchange risk; and development of domestic capital markets. The report also offers recommendations in each of the areas.

In October 2011 the G-20 finance ministers and central bank governors endorsed an action plan to support the development of local currency bond markets (LCBMs), primarily aimed at emerging market and developing economies. The ministers and governors noted that the international financial crisis has highlighted the importance of developing deep and efficient LCBMs, which can help to enhance national and global financial stability and economic growth. LCBMs can also provide a domestic source of finance for local entities in the face of stressed credit markets, thus reducing contagion effects across markets and spillovers into the real economy. The action plan aims to bolster the role that LCBMs play in domestic and global financial stability, helping to expand the range of financial instruments available to manage volatile short-term flows. It entails (1) scaling up technical assistance – from the IMF and other international organizations – to emerging market and developing economies; (2) improving the breadth and transparency of available data, a precondition for efficient market functioning, building on work carried out by the

IMF; and (3) joint annual progress reports to the G-20 from the IMF and other international organizations.

Some key examples of where the USED has supported a strengthening of emerging market financial systems are:

- In a December 22, 2010 Board statement on India's Article IV review, the USED welcomed the Indian authorities' decision to undertake a comprehensive review and update of India's financial sector through the FSAP.
- In a September 2010 Board statement on Chile's Article IV staff report, the USED encouraged Chilean authorities to enhance cooperation among financial supervisory agencies and broaden their regulatory scope, particularly as financial institutions introduce new instruments.
- In a July 15, 2011 statement, the USED encouraged China's authorities to take note of staff's warning on the costs of an incomplete reform agenda and warned that if financial innovation outpaces the government's ability to contain new types of lending, financial stability could be undermined. The USED also strongly urged China's authorities to publish FSAP documents, including ROSCs and detailed assessment reports (DARs), as they would support commitments previously made by all FSB members.
- In a July 29, 2011 statement, the USED encouraged IMF staff to take a closer look at the linkages between South Korean household debt and the housing market and possible systemic vulnerabilities related to the sector.
- In the October 2010 Board statement for Romania's Stand-By Arrangement, the USED welcomed the progress Romania had made toward strengthening its financial system through improvements in the bank resolution and provisioning frameworks. The USED also encouraged IMF staff and the Romanian authorities to strengthen deposit insurance and financial accounting standards.
- In the second review of Bosnia's Stand-By Arrangement in October 2010, the USED commended the authorities for efforts to improve financial stability monitoring and crisis preparedness, highlighting their commitment to undertake robust stress testing and forward looking capital assessments and to implement risk-based supervision and Basel II.

### *(C) Strengthened crisis resolution mechanisms*

The IMF's actions since the outset of the global financial crisis began have stabilized markets and boosted confidence, winning broad support and underscoring the Fund's central role in crisis response. A critical component of the response was ensuring that the IMF has adequate resources to address the needs of members hard hit by the global crisis. To this end, countries delivered on commitments to renew and expand the IMF's New



Arrangements to Borrow (“NAB”) by over \$500 billion to backstop the IMF. The IMF also took action to supplement members’ reserves and boost global liquidity through allocations of Special Drawing Rights (“SDRs”) equivalent to \$283 billion. More recently, IMF members agreed to a doubling of quotas (with a corresponding rollback in the NAB, preserving share values).

The United States, in cooperation with the IMF and the broader international financial community, promoted a strengthened framework for crisis resolution by overhauling the IMF’s non-concessional lending framework in early 2009. As noted above, the United States supported the creation and enhancement of the FCL and PCL in 2010 and the creation of the PLL and RFI in 2011. These facilities make it easier for strong-performing member countries to access resources by raising access limits, streamlining conditionality, and simplifying cost and maturity structures. More broadly, the IMF’s lending commitments have increased by nearly \$200 billion since August 2008.

In 2009, the IMF approved a package of extraordinary measures to sharply increase the resources available to low-income countries (LICs), more than doubling the Fund’s medium-term concessional lending capacity to \$17 billion. These reforms allowed the Fund to dramatically expand its lending capacity during the crisis, with new Fund commitments for LICs totaling roughly \$6.4 billion, or five times the historical average, since the beginning of 2009. In addition, in 2010, the IMF created the Post-Catastrophe Debt Relief (PCDR) Trust to provide debt relief for very poor countries hit by the most catastrophic of natural disasters. The PCDR financed the elimination of Haiti’s entire debt stock to the IMF (about \$268 million) following the 2010 earthquake.

Some examples of where the USED has provided support in this area are:

- In the July 2011 statement for the euro area Article IV, the USED noted the continuing disparity of growth among countries across the euro zone, a continuing source of concern that risks further widening existing imbalances. The USED urged aggressive implementation of structural reforms – including fiscal governance reforms that need to go further – active and consistent crisis management, and identification of opportunities for countries in crisis to return to growth. The USED also emphasized the need for the euro zone to strengthen its financial system and to complete planned bank stress tests. Finally, the USED urged further progress on Europe’s crisis management and resolution regime that includes a more comprehensive approach that encompasses bank and sovereign backstops that can be deployed before a crisis has taken hold.
- In the August 2011 statement for the IMF World Economic Outlook and Global Financial Stability Report, the USED urged European authorities to move decisively to address sovereign risks and to take measures to increase confidence in the European banking system. The USED also recommended that the ECB to play its role in providing necessary liquidity to the euro zone. The USED noted the lack of progress in global rebalancing, pointing to policies in some emerging markets, particularly in Asia, that remain broadly similar to prior to the crisis. In particular, the USED criticized the

IMF's lack of analysis of the multilateral aspects of exchange rate policies and reserve accumulation that should be included in the World Economic Outlook.

- The United States continued to support the IMF's significant financial assistance and efforts at crisis resolution in Europe over fiscal year 2011. This included supporting reviews of Greece's existing Stand-By Arrangement while reiterating the need for deep structural reforms at its fourth review in July 2011; and supporting Ireland's and Portugal's requests for Extended Fund Facilities in December 2010 and May 2011, respectively.
- In January 2011, the USED supported the renewal of Mexico's Flexible Credit Line (FCL) arrangement with the IMF – for a longer period and with a higher access level given Mexico's high openness to capital flows. The USED noted Mexico's continued strong economic performance and policy track record.
- The USED also support the approval of a Precautionary Credit Line (PCL) arrangement with the IMF for Macedonia in January 2011, given Macedonia's relatively strong policy performance despite the existence of risks related to its exposure to the euro zone. At Macedonia's first PCL review in September 2011, the USED noted the need for Macedonia to further improve debt management practices and remain vigilant to potential spillovers from the euro zone.

## **(6) Good governance**

The IMF places great importance on good governance when providing its policy advice, financial support, and technical assistance to its member countries. Its commitment to promoting good governance is outlined in its 1996 *Declaration on Partnership for Sustainable Global Growth* and its 1997 *Guidelines on Good Governance*. The IMF supports good governance through its emphasis on transparency, strong fiduciary diagnostics, and its promotion of market-based reforms.<sup>7</sup> The IMF has actively promoted good governance through its efforts to protect against abuse of the financial system and to fight corruption.

The Fund's involvement has focused on those governance aspects that are generally considered part of the IMF's core expertise, such as improving public administration, increasing government transparency, enhancing data dissemination, and implementing effective financial sector supervision. The IMF promotes best practice principles through its codes and standards, including the *Code of Good Practice on Transparency in Monetary and Financial Policies*. The IMF also collaborates with the World Bank to strengthen the capacity of HIPC countries to develop essential public financial management ("PFM") systems and track public sector spending. The IMF is also an active participant in the Public Expenditure and Financial Accountability ("PEFA") initiative which aims to support

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<sup>7</sup> IMF financing is provided to central banks to address balance of payments difficulties. The IMF does not lend to fund specific projects in member countries aimed at improving procurement and financial management controls.

integrated and harmonized approaches to assessment and reform in the field of public expenditure, procurement, and financial accountability. PEFA assessments are increasingly being used to measure country PFM performance, and a number of countries have undergone second and third PEFA assessment, which allows policy makers and donors to track trends over time.

Examples of U.S. efforts to encourage good governance include the following:

- In the 2010 Board statement for Cambodia’s Article IV, the USED urged Cambodian authorities to move forward with further reforms to public financial management to enhance their transparency and accountability, and encouraged Cambodia to subscribe to the Extractive Industries Transparency Initiative.
- In the third and fourth review of Ghana’s ECF, the U.S. asked for more information and analysis by staff on the new petroleum revenue management legislation and the ability of this new system to safeguard Ghana’s new oil wealth.
- The USED’s November 2011 Board statement on Cote d’Ivoire’s Extended Credit Facility praised its structural benchmarks aimed at improving transparency with respect to tax exemptions and civil service management as important for the authorities’ follow-through on commitments to improve governance.
- In the January 2011 Board statement for Romania’s Stand-By Arrangement, the USED urged the Romanian authorities to accelerate the planned implementation of reforms to improve procurement transparency.

***(7) Channeling public funds away from unproductive purposes, including large “showcase” projects and excessive military spending, and toward investment in human and physical capital to protect the neediest and promote social equity***

The Fund’s *Code of Good Practices on Fiscal Transparency*, updated in 2007, identified principles and practices to enhance fiscal policy transparency, promote quality audit and accounting standards, and reduce or eliminate off-budget transactions, which are often the source of unproductive government spending. Supplementing this Code is the Fund’s *Guide to Resource Revenue Transparency*, also updated in 2007, a complement to the Fiscal Report on Standards and Codes (“Fiscal ROSC”) for use in resource-rich (oil-gas-mining) countries. The Guide is being used increasingly in diagnostic work in extractive industry intense economies. The IMF also has been a strong supporter of the Extractive Industries Transparency Initiative (“EITI”) by providing policy and technical support to the EITI Secretariat and Implementing Countries. Numerous countries have had resource revenue and extractive industries issues covered in their ROSCs, including: Gabon, Indonesia, the Kyrgyz Republic, and Namibia.

Examples of how the U.S. promoted better channeling of public resources are:

- In the May 2011 Article IV discussion on Papua New Guinea, the U.S. pressed for the country to join EITI.
- In a July 5, 2011 Board Statement on Kuwait's 2011 Article IV Review, the USED noted that the selected issues paper on fiscal multipliers highlights the importance of careful project selection and implementation.
- In the December 2010 Board Statement on Senegal's Policy Support Instrument, the USED recommended the rapid implementation of structural measures under the program to strengthen public expenditure efficiency.
- In the January 2011 statement on Angola's SBA review, the USED cited weaknesses in public financial management and cautioned the authorities against building up public investment plans without the capacity to evaluate and execute those projects.

**(8) *Economic prescriptions appropriate to the economic circumstances of each country***

The United States has emphasized the need to focus policy prescriptions and conditionality using measurable results on issues critical to growth and macroeconomic stability. Partly as a result of U.S. efforts, program conditions have focused increasingly on debt and financial vulnerability in middle-income countries and macroeconomic management in low-income countries.

- In an October 5, 2011 Board Statement on Morocco's 2011 Article IV Review, the USED emphasized that reforming the fuel subsidy regime is clearly a priority. Given the political sensitivities, implementing pilot programs to steadily adjust prices and improve targeting would seem appropriate. With the Moroccan authorities' preference for a fixed exchange rate regime, the USED noted that retaining fiscal space is important, particularly in the presence of current account and fiscal deficits.
- In a Board Statement on January 26, 2011, the USED encouraged timely fiscal adjustment by the Federated States of Micronesia in preparation for the expiration of grants under the Compact of Free Association after FY2023. Although grants will continue for another decade, the necessary fiscal adjustment (through tax reform, expenditure restraint, and better tax administration) is significant and advance preparation is needed to safeguard critical social and infrastructure priorities.
- In an October 5, 2011 statement, the USED encouraged the Australian authorities to persist with their counter-cyclical fiscal and monetary policies in order to manage the commodities boom and strengthen the non-mining economy.
- In a May 9, 2011 statement, the USED noted that the IMF staff's recommendation of early fiscal adjustment for New Zealand needs to be balanced with the more immediate consideration of putting the economic recovery back on track, considering the significant impact that recent earthquakes have had on confidence and growth.

**(9) *Core labor standards (“CLS”)***

Treasury works toward integrating core labor standards into the development agenda of the IFIs, including the IMF. To this end, Treasury encourages enhanced cooperation among the IFIs and the International Labor Organization (“ILO”) to establish best practices on CLS policies, and monitors and takes appropriate action on individual lending and non-lending programs that come before the respective Boards of Directors for decision. The State Department monitors labor standards in all IFI borrower countries and Treasury is mandated to submit a separate report to Congress assessing progress made with respect to internationally recognized worker rights. The most recent report was submitted in January 2011.<sup>8</sup>

The IMF and ILO continue to collaborate, as evidenced by the IMF Managing Director’s meeting with the ILO’s Governing Body in March 2009 and a joint IMF-ILO conference attended by the IMF Managing Director in September 2010 to discuss the adequacy of crisis response measures. In addition, the IMF, the World Bank, the United Nations, and the ILO are strengthening their cooperation to help least developed countries build basic social protection floors that are adapted to local realities and fiscally sustainable.

**(10) *Discouraging practices that may promote ethnic or social strife***

By helping to create the conditions for a sound economy, IMF assistance facilitates the reduction of ethnic and social strife to the extent such strife is driven in part by economic deprivation. For example, with United States support, the IMF has increasingly encouraged the strengthening of social safety nets. The IMF also encourages consultation with various segments of society in the development of programs so that these segments have an opportunity to participate in the implementation of national priorities. IMF assistance has helped to free up resources for more productive public investment by contributing to a reduction in country military expenditures.

**(11) *Link between environmental and macroeconomic conditions and policies***

With respect to individual lending operations, the IMF itself does not evaluate positive or negative linkages between economic conditions and environmental sustainability. Rather, the IMF coordinates with the World Bank which, unlike the IMF, possesses the internal expertise to address such linkages. To the degree that environmental issues raise economic or financial vulnerabilities, however, the U.S. has raised concerns, as in the following cases:

- In a February 11, 2011 Board Statement on Turkey's second Post Program Monitoring, the USED emphasized that over the long term, structural reforms will be essential to improving Turkey’s competitiveness, including phasing out energy

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<sup>8</sup> Report to Congress on Labor Issues and the International Financial Institutions, January 2011.

subsidies as Turkey imports the bulk of its energy. The USED also noted that doing so may help to improve Turkey's current account balance by providing incentives for more efficient use of energy.

- In a May 2, 2011 Board Statement, the USED emphasized the need for Kiribati to protect intergenerational equity by directing debt-financed expenditure to infrastructure projects that will promote long-run potential growth and help mitigate uncertain future costs from climate change.

## **(12) Greater transparency**

The IMF continues to encourage, with strong United States support, member countries to make their economic and financial conditions more transparent. In recent years, the IMF has increased significantly the amount of information on its programs that it has made available to the public. The United States has stressed the need to build on this progress and expand the number of publications and IMF practices open to public scrutiny. As a result of earlier efforts, publication of all Article IV and Use of Fund Resources staff reports is presumed unless a country objects. In addition, all exceptional access reports generally will be published as a pre-condition to the Board's approval of such an arrangement.<sup>9</sup> The USED consistently encourages countries to publish the full Article IV staff report on the IMF's public website. The Board completed its latest review of IMF transparency in December 2009. The review suggested measures to increase the amount and timeliness of publications, protect the integrity of IMF documents, and enhance the accountability and legitimacy of the IMF. The IMF's next transparency review is expected to take place in 2012.<sup>10</sup>

In addition to pressing countries to publish their Article IV assessments, countries are urged to provide additional information to private market participants by regularly releasing data consistent with the IMF's Special Data Dissemination Standards ("SDDS"). Almost 90 percent of Fund members subscribe to either General Data Dissemination Standards or SDDS.

- In a March 18, 2011 Board Statement on Iraq's second Stand-By-Agreement, the USED noted there is more work to be done on improving timely data dissemination, noting that the authorities committed to submit data on central government spending with no more than a two-month lag.
- In a July 15, 2011 statement, the USED noted IMF staff's recommendation to provide more clarity on how prudential policies for banks are implemented, for example, with regard to systemic capital surcharges and counter-cyclical capital buffers. The USED also commended China for: (1) recently releasing data on China's total social financing and lending to local government financing vehicles; and, (2) further improvements in financial sector data collection and dissemination that would enable more effective assessments of firm, sectoral, and systemic risks.

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<sup>9</sup> "Exceptional access" refers to financing arrangements in amounts that exceed the Fund's normal limits.

<sup>10</sup> <http://www.imf.org/external/np/fad/trans/guide.htm>

Finally, as noted above, the USED strongly urged China's authorities to publish FSAP documents, including ROSCs and detailed assessment reports (DARs), in order to support commitments previously made by all FSB members.

- In a May 18, 2011 Board Statement on the Article IV review of Papua New Guinea, the USED applauded officials' intention to operate a newly established sovereign wealth funds in accordance with the Santiago Principles. As noted above, the USED also encouraged Papua New Guinea to move forward with participation in the Extractive Industries Transparency Initiative.

### **(13) Greater IMF accountability and enhanced self-evaluation**

In 2000, with the strong urging of the USED, the Executive Board established an Independent Evaluation Office ("IEO") to supplement existing internal and external evaluation activities. The IEO provides objective and independent evaluation on issues related to the IMF and operates independently of Fund management and at arm's length from the IMF Board. On average, the IEO concludes two or three evaluations per year, and each evaluation normally takes about 18 months to complete. Recent evaluations include *Research at the IMF: Relevance and Utilization (June 2011)*;<sup>11</sup> *IMF Performance in the Run-up to the Financial Crisis: IMF Surveillance in 2004-07 (February 2011)*;<sup>12</sup> *IMF Interactions with Member Countries (January 2010)*;<sup>13</sup> *IMF Involvement in International Trade Policy Issues (June 2009)*;<sup>14</sup> *Governance of the IMF: An Evaluation (May 2008)*;<sup>15</sup> *Structural Conditionality in IMF-Supported Programs (January 2008)*;<sup>16</sup> *IMF Exchange Rate Policy Advice, 1999-2005 (May 2007)*;<sup>17</sup> and *The IMF and Aid to Sub-Saharan Africa (March 2007)*.<sup>18</sup> All reports are publicly available on the IEO's website at (<http://www.imf.org/external/np/ieo/index.htm>).

- In the February 2011 Board Statement on Benin's Extended Credit Facility, the USED expressed disapproval over delays in structural reforms and a number missed performance criteria. The USED recommended that Fund programs have more focused conditionality that is front-loaded, as a signal of the authorities' commitment.

### **(14) Structural reforms which facilitate the provision of credit to small businesses, including microenterprise lending**

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<sup>11</sup> <http://www.ieo-imf.org/ieo/pages/IEOPreview.aspx?img=i6nZpr3iSIU%3d&mappingid=tdPP0jC7Oqs%3d>

<sup>12</sup> <http://www.ieo->

[www.ieo-imf.org/ieo/pages/IEOPreview.aspx?img=i6nZpr3iSIU%3d&mappingid=dRx2VaDG7EY%3d](http://www.ieo-imf.org/ieo/pages/IEOPreview.aspx?img=i6nZpr3iSIU%3d&mappingid=dRx2VaDG7EY%3d)

<sup>13</sup> [http://www.ieo-imf.org/eval/complete/pdf/01202010/IMC\\_Full\\_Text\\_Main\\_Report.pdf](http://www.ieo-imf.org/eval/complete/pdf/01202010/IMC_Full_Text_Main_Report.pdf)

<sup>14</sup> [http://www.ieo-imf.org/eval/complete/pdf/06162009/Full\\_Text\\_of\\_the\\_main\\_report.pdf](http://www.ieo-imf.org/eval/complete/pdf/06162009/Full_Text_of_the_main_report.pdf)

<sup>15</sup> [http://www.ieo-imf.org/eval/complete/pdf/05212008/CG\\_main.pdf](http://www.ieo-imf.org/eval/complete/pdf/05212008/CG_main.pdf)

<sup>16</sup> [http://www.ieo-imf.org/eval/complete/pdf/01032008/SC\\_main\\_report.pdf](http://www.ieo-imf.org/eval/complete/pdf/01032008/SC_main_report.pdf)

<sup>17</sup> [http://www.ieo-imf.org/eval/complete/pdf/05172007/ERP\\_main\\_report.pdf](http://www.ieo-imf.org/eval/complete/pdf/05172007/ERP_main_report.pdf)

<sup>18</sup> <http://www.ieo-imf.org/eval/complete/pdf/03122007/report.pdf>

The lack of financial services available to the poor is a significant obstacle to growth for many developing countries. The IMF does not have the lead role in microeconomic reforms to benefit small businesses; however, Treasury engages with the IFIs to promote structural reforms that encourage the provision of credit to small and micro enterprises. The microfinance sector is frequently reviewed in the context of the FSAP in developing countries.

- In a May 18, 2011 Board Statement on the Article IV review of Papua New Guinea, the USED encouraged commitment to raising growth potential, including through economic diversification, land reform, and financial inclusion.

**(15) *Anti-Money Laundering and Combating the Financing of Terrorism (“AML/CFT”)***

Comprehensive integration of the efforts of the IMF and the other IFIs as part of the effort to fight terrorism worldwide has been a consistent policy priority for the United States and its partners. We have encouraged collaboration between the IFIs and the Financial Action Task Force (“FATF”) to assess global compliance with the anti-money laundering and countering the financing of terrorism (“AML/CFT”) standards based on the FATF 40 Recommendations on Money Laundering and the Nine Special Recommendations on Terrorist Financing.

In April 2007, largely as a result of U.S. and G-7 leadership, the IMF Board reiterated the importance of AML/CFT standards to strengthening the integrity of financial systems and deterring financial abuse, and affirmed the collaborative arrangements presently in place with the FATF and FATF-style regional bodies (“FSRBs”) for assessing AML/CFT regimes in the context of the IMF's financial sector work. The Board also encouraged greater transparency by calling for the publication of comprehensive country evaluations.

Collaboration by the IMF, FATF, and FSRBs with the assessors, using the same common methodology, institutionalizes the global fight against terrorist financing and money laundering and helps countries to identify shortfalls in their AML/CFT regimes and implement reforms. As of November 2011, the IMF had conducted 60 assessments of country compliance with AML/CFT as part of a third round of mutual evaluations, in cooperation with the FATF, FSRBs, and the World Bank.

The IMF is also a substantial source of funding for countries’ efforts to strengthen their own AML/CFT regimes – an activity that Treasury has supported and has joined in to leverage Treasury’s own bilateral AML/CFT assistance. The IMF has provided substantial technical assistance (“TA”) on a bilateral and regional basis. In late 2009, the IMF established a multi-donor TA trust fund to finance further TA and research activities in the area of AML/CFT. In coordination with the establishment of the multi-donor fund on AML/CFT, the IMF has also worked toward opening regional TA centers in Latin America, Central Asia, and Southern and Western Africa to strengthen its delivery of assistance to recipient countries.



Treasury and the USED played a crucial role in mobilizing the IMF Board's support for this initiative, as well as ensuring that note is taken of AML/CFT issues in Article IV reviews and reports, IMF programs, and other regular reviews of country progress.

- In a February 9, 2011 Board Statement on Libya's Article IV review, the USED commended Libya for its continued efforts to strengthen bank supervision, and welcomed the recent agreement between the Central Bank of Libya and the Fund to review the new draft AML/CFT law which seeks to bring Libya's AML/CFT framework in line with international standards. The USED further supported Fund efforts to assist in the preparation for next May's AML/CFT assessment.
- In a December 22, 2010, Board Statement on India's Article IV review, the USED congratulated India on obtaining full membership in the FATF and recognized India's efforts to fight money laundering and the financing of terrorism. The USED urged the Indian authorities to continue to aggressively follow up on the recommendations of the joint FATF/Asia Pacific Group mutual evaluation report, including enhancing regulatory supervision with respect to AML/CFT issues in the financial sector, and improving suspicious transaction reporting, especially with respect to terrorist financing.
- In an October 2010 Board Statement, the USED voiced encouragement over Fund TA that has helped Nepal develop a national AML/CTF strategy in line with FATF recommendations, and noted that the United States looks forward to further enhancements to Nepal's legal and supervisory framework.
- In the 2010 Board statement on Sri Lanka's Stand-by Arrangement, the USED urged Sri Lankan authorities to address deficiencies in its AML/CFT regime, including taking aggressive steps to bring the legal framework and implementation of AML/CFT controls up to international standards, including the criminalization of terrorist financing.

## **II. Section 801(c)(1)(B)**

***(I) Suspension of IMF financing if funds are being diverted for purposes other than the purposes for which the financing was intended***

With strong United States support, the IMF has taken steps to ensure that IMF resources are used solely for the purposes for which they are intended. One of the IMF's most effective tools against corruption is the Safeguards Assessment to prevent possible misuse of IMF resources and misreporting of information.<sup>19</sup> All countries that request a loan from the IMF must agree to undergo a Safeguards Assessment. Its purpose is to identify vulnerabilities in a central bank's control systems. IMF staff carry out this diagnostic exercise to consider the adequacy of five key areas of control and governance within a central bank: (i) the external audit mechanism; (ii) the legal structure and independence; (iii) the financial reporting framework; (iv) the internal audit mechanism; and, (v) the internal controls system. The framework was introduced in March 2000 and reviewed in April 2005. As of September 2011, 225 Safeguard Assessments had been completed.

***(II) IMF financing as a catalyst for private sector financing***

The IMF recognizes that, if structured effectively, official financing can complement and attract private sector flows. The Fund promotes policy reforms that catalyze private financing and, in cases of financial crisis, allow countries to regain access to international private capital markets as quickly as possible. (See Section 5 above for a more in-depth discussion of private sector involvement.)

***(III) Financing must be disbursed (i) on the basis of specific prior reforms; or (ii) incrementally upon implementation of specific reforms after initial disbursement***

IMF disbursements are made in tranches based on a country's performance against specified policy actions, both prior to and during the program. Together with the rest of the IMF's Executive Board, the USED plays a strong oversight role in ensuring that management only brings forward new programs or releases a new tranche of funds after such targets have been met.

***(IV) Open markets and liberalization of trade in goods and services***

The IMF has advocated consistently for open markets and trade liberalization. The Fund also recognizes that trade adjustments can cause temporary balance of payments problems and has developed the Trade Integration Mechanism ("TIM") to provide transitional financial assistance to countries if needed. The Fund also has a key responsibility in dealing with the revenue implications of trade liberalization, such as sequencing domestic tax reforms with the trade liberalization process. During the recent economic downturn, the IMF consistently advised countries that protectionism is not a path to economic recovery.

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<sup>19</sup> <http://www.imf.org/external/np/tre/safegrds/2002/review.htm>

The IMF has developed an implementation plan for international trade policy issues that calls for reviews of Fund work on trade policy every five years, beginning in 2014. The plan deemphasizes trade policy as an element of program conditionality but still emphasizes trade liberalization where necessary to achieve the macroeconomic objectives of a Fund-supported program, as well as the need to avoid trade-restricting measures. The plan also calls for more frequent coverage of cross-cutting trade policy issues in the Fund's multilateral and regional surveillance vehicles (such as the World Economic Outlook and the Regional Economic Outlooks) and closer cooperation with the WTO and World Bank on trade.

*(V) IMF financing to concentrate chiefly on short-term balance of payments financing*

In 2000 and again in 2009, with strong United States support, the IMF agreed to reorient IMF lending to discourage continued or prolonged use of IMF funds and provide incentives for quick repayment. As a result, the IMF shortened the repayment periods for both Stand-By and Extended Arrangements, introduced a time-based surcharge to promote early repayment, and raised commitment fees for higher levels of access.

Partly in response to United States advocacy, the IMF established the Standby Credit Facility ("SCF") in July 2009 as a new instrument for concessional financing to low-income countries. The SCF will fill a long-standing gap in the IMF concessional facilities architecture by providing low-income countries with a facility specifically designed for intermittent use in response to short-term balance of payments financing gaps. The SCF also carries a shorter repayment period than the IMF's other concessional facilities. The United States also continues to be a strong advocate for the non-borrowing Policy Support Instrument ("PSI") which provides a framework for IMF policy advice and donor signaling without the need for IMF lending. The United States has discouraged low-income countries from pursuing serial Poverty Reduction and Growth Trust ("PRGT") programs. The United States urges those countries without a clear balance of payments need to opt for a PSI, in which case they retain the option of seeking SCF financing in the event of sudden adverse developments.

Along similar lines, the November 2011 creation of the PLL and RFI, noted above, is aimed at providing middle-income countries with shorter-term liquidity to meet temporary balance of payments needs.

- In a May 2011 Board statement on renewal of Colombia's Flexible Credit Line (FCL), the USED highlighted staff's detailed analysis of Colombia's possible balance of payments needs in an illustrative adverse scenario, noting that the USED's office had, in the past, called for this sort of analysis to be included in all FCL requests and that it was pleased that such analysis had now become standard.
- In the January 2011 Board Statement on Kenya's Extended Credit Facility, the USED asked for more detail on the causes of Kenya's external financing gap, concerned that an external gap stemming from import-intensive investment plans would hinder Kenya's ability to eventually exit Fund financing.

*(VI) Graduation from receiving financing on concessionary terms*

The United States supports comprehensive growth strategies to help countries graduate from concessional to market-based lending. The United States works closely with the IMF and World Bank to promote a growth-oriented agenda in developing countries based on strong macroeconomic and structural policies. The IMF extends concessional credit through the PRGT. Eligibility is based principally on a country's per capita income and eligibility under the International Development Association ("IDA"), the World Bank's concessional window. The current operational cutoff point for IDA eligibility is a fiscal year 2012 per capita GNI level of \$1,175. A member will graduate and be removed from the PRGT-eligibility list if (1) its annual per capita GNI has been above the IDA cutoff point for the past five years, with an increasing trend; and/or (2) the member has the ability to durably and substantially access international financial markets and has a per capita GNI above 80 percent of the IDA cutoff, with GNI per capita on an increasing trend for the past five years; and, (3) the member country faces a low risk of a sharp decline in income or market access and limited debt vulnerabilities, as determined by the Fund's quantitative analysis. While there was progress with more developing countries graduating from concessional finance in the mid-2000s (notably Ghana's Eurobond issuance in 2007), the global credit tightening resulting from the global financial crisis has greatly reduced these countries' nascent access to credit.

## **Legislative Provisions**

### **Section 1705(a) of the International Financial Institutions Act, as amended**

Annual report and testimony on state of international financial system, IMF reform, and compliance with IMF agreements

- (a) Access to Materials. - Not later than October 1 of each year, the Secretary of the Treasury shall submit to the Committees on Banking and Financial Services and on Ways and Means of the House of Representatives and the Committees on Finance and on Foreign Relations of the Senate a written report on (1) the progress (if any) made by the United States Executive Director at the International Monetary Fund in influencing the International Monetary Fund to adopt the policies and reform its internal procedures in the manner described in section 1503, and (2) the progress made by the International Monetary Fund in adopting and implementing the policies described in section 801(c)(1)(B) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2001.

**Section 1503(a) of the International Financial Institutions Act, as amended  
(originally passed as Section 610(a) of the  
Foreign Operations, Export Financing, and  
Related Programs Appropriations Act, 1999, and amended in 2004)**

*The Secretary of the Treasury shall instruct the United States Executive Director of the International Monetary Fund to use aggressively the voice and vote of the Executive Director to do the following:*

- (1) Vigorously promote policies to increase the effectiveness of the International Monetary Fund in structuring programs and assistance so as to promote policies and actions that will contribute to exchange rate stability and avoid competitive devaluations that will further destabilize the international financial and trade systems.*
- (2) Vigorously promote policies to increase the effectiveness of the International Monetary Fund in promoting market-oriented reform, trade liberalization, economic growth, democratic governance, and social stability through –*
  - (A) Establishing an independent monetary authority, with full power to conduct monetary policy, that provides for a non-inflationary domestic currency that is fully convertible in foreign exchange markets;*
  - (B) Opening domestic markets to fair and open internal competition among domestic enterprises by eliminating inappropriate favoritism for small or large businesses, eliminating elite monopolies, creating and effectively implementing anti-trust and anti-monopoly laws to protect free competition, and establishing fair and accessible legal procedures for dispute settlement among domestic enterprises;*
  - (C) Privatizing industry in a fair and equitable manner that provides economic opportunities to a broad spectrum of the population, eliminating government and elite monopolies, closing loss-making enterprises, and reducing government control over the factors of production;*
  - (D) Economic deregulation by eliminating inefficient and overly burdensome regulations and strengthening the legal framework supporting private contract and intellectual property rights;*
  - (E) Establishing or strengthening key elements of a social safety net to cushion the effects on workers of unemployment and dislocation; and*
  - (F) Encouraging the opening of markets for agricultural commodities and products by requiring recipient countries to make efforts to reduce trade barriers.*
- (3) Vigorously promote policies to increase the effectiveness of the International Monetary Fund, in concert with appropriate international authorities and other international financial institutions (as defined in Section 1701(c)(2)), in strengthening financial systems in developing countries, and encouraging the adoption of sound banking principles and practices, including the development of laws and regulations that will help to ensure that domestic financial institutions meet strong standards regarding capital reserves, regulatory oversight, and transparency.*
- (4) Vigorously promote policies to increase the effectiveness of the International Monetary Fund, in concert with appropriate international authorities and other international financial institutions (as defined in Section 1701(c)(2)), in facilitating the development and implementation of internationally acceptable domestic bankruptcy laws and regulations in developing countries, including the provision of technical assistance as appropriate.*

- (5) *Vigorously promote policies that aim at appropriate burden-sharing by the private sector so that investors and creditors bear more fully the consequences of their decisions, and accordingly advocate policies which include –*
- (A) *Strengthening crisis prevention and early warning signals through improved and more effective surveillance of the national economic policies and financial market development of countries (including monitoring of the structure and volume of capital flows to identify problematic imbalances in the inflow of short and medium term investment capital, potentially destabilizing inflows of offshore lending and foreign investment, or problems with the maturity profiles of capital to provide warnings of imminent economic instability), and fuller disclosure of such information to market participants;*
  - (B) *Accelerating work on strengthening financial systems in emerging market economies so as to reduce the risk of financial crises;*
  - (C) *Consideration of provisions in debt contracts that would foster dialogue and consultation between a sovereign debtor and its private creditors, and among those creditors;*
  - (D) *Consideration of extending the scope of the International Monetary Fund’s policy on lending to members in arrears and of other policies so as to foster the dialogue and consultation referred to in subparagraph (C);*
  - (E) *Intensified consideration of mechanisms to facilitate orderly workout mechanisms for countries experiencing debt or liquidity crises;*
  - (F) *Consideration of establishing ad hoc or formal linkages between the provision of official financing to countries experiencing a financial crisis and the willingness of market participants to meaningfully participate in any stabilization effort led by the International Monetary Fund;*
  - (G) *Using the International Monetary Fund to facilitate discussions between debtors and private creditors to help ensure that financial difficulties are resolved without inappropriate resort to public resources; and*
  - (H) *The International Monetary Fund accompanying the provision of funding to countries experiencing a financial crisis resulting from imprudent borrowing with efforts to achieve a significant contribution by the private creditors, investors, and banks which had extended such credits.*
- (6) *Vigorously promote policies that would make the International Monetary Fund a more effective mechanism, in concert with appropriate international authorities and other international financial institutions (as defined in Section 1701(c)(2)), for promoting good governance principles within recipient countries by fostering structural reforms, including procurement reform, that reduce opportunities for corruption and bribery, and drug-related money laundering.*
- (7) *Vigorously promote the design of International Monetary Fund programs and assistance so that governments that draw on the International Monetary Fund channel public funds away from unproductive purposes, including large “show case” projects and excessive military spending, and toward investment in human and physical capital as well as social programs to protect the neediest and promote social equity.*
- (8) *Work with the International Monetary Fund to foster economic prescriptions that are appropriate to the individual economic circumstances of each recipient country, recognizing that inappropriate stabilization programs may only serve to further destabilize the economy and create unnecessary economic, social, and political dislocation.*

- (9) *Structure International Monetary Fund programs and assistance so that the maintenance and improvement of core labor standards are routinely incorporated as an integral goal in the policy dialogue with recipient countries, so that –*
- (A) *Recipient governments commit to affording workers the right to exercise internationally recognized core worker rights, including the right of free association and collective bargaining through unions of their own choosing;*
  - (B) *Measures designed to facilitate labor market flexibility are consistent with such core worker rights; and*
  - (C) *The staff of the International Monetary Fund surveys the labor market policies and practices of recipient countries and recommends policy initiatives that will help to ensure the maintenance or improvement of core labor standards.*
- (10) *Vigorously promote International Monetary Fund programs and assistance that are structured to the maximum extent feasible to discourage practices which may promote ethnic or social strife in a recipient country.*
- (11) *Vigorously promote recognition by the International Monetary Fund that macroeconomic developments and policies can affect and be affected by environmental conditions and policies, and urge the International Monetary Fund to encourage member countries to pursue macroeconomic stability while promoting environmental protection.*
- (12) *Facilitate greater International Monetary Fund transparency, including by enhancing accessibility of the International Monetary Fund and its staff, foster a more open release policy toward working papers, past evaluations, and other International Monetary Fund documents, seeking to publish all Letters of Intent to the International Monetary Fund and Policy Framework Papers, and establishing a more open release policy regarding Article IV consultations.*
- (13) *Facilitate greater International Monetary Fund accountability and enhance International Monetary Fund self-evaluation by vigorously promoting review of the effectiveness of the Office of Internal Audit and Inspection and the Executive Board’s external evaluation pilot program and, if necessary, the establishment of an operations evaluation department modeled on the experience of the International Bank for Reconstruction and Development, guided by such key principles as usefulness, credibility, transparency, and independence.*
- (14) *Vigorously promote coordination with the International Bank for Reconstruction and Development and other international financial institutions (as defined in Section 1701 (c)(2)) in promoting structural reforms which facilitate the provision of credit to small businesses, including microenterprise lending, especially in the world’s poorest, heavily indebted countries.*
- (15) *Work with the International Monetary Fund to*
- (A) *foster strong global anti-money laundering (AML) and combat the financing of terrorism (CFT) regimes;*
  - (B) *ensure that country performance under the Financial Action Task Force anti-money laundering and counterterrorist financing standards is effectively and comprehensively monitored;*
  - (C) *ensure note is taken of AML and CFT issues in Article IV reports, International Monetary Fund programs, and other regular reviews of country progress;*



- (D) ensure that effective AML and CFT regimes are considered to be indispensable elements of sound financial systems; and*
- (E) emphasize the importance of sound AML and CFT regimes to global growth and development.*

**Section 801(c)(1)(B)**  
**Foreign Operations, Export Financing, and**  
**Related Programs Appropriations Act, 2001**

*Treasury should report on the extent to which the IMF is implementing –*

- I. Policies providing for the suspension of financing if funds are being diverted for purposes other than the purpose for which the financing was intended;*
- II. Policies seeking to ensure that financing by the Fund normally serves as a catalyst for private sector financing and does not displace such financing;*
- III. Policies requiring that financing must be disbursed (i) on the basis of specific prior reforms; or (ii) incrementally upon implementation of specific reforms after initial disbursement;*
- IV. Policies vigorously promoting open markets and liberalization of trade in goods and services;*
- V. Policies providing that financing by the Fund concentrates chiefly on short-term balance of payments financing;*
- VI. Policies providing for the use, in conjunction with the Bank, of appropriate qualitative and quantitative indicators to measure progress toward graduation from receiving financing on concessionary terms, including an estimated timetable by which countries may graduate over the next 15 years.*

**Section 605(d) of the Foreign Operations, Export Financing, and  
Related Programs Appropriations Act, 1999**

*On a quarterly basis, the Secretary of the Treasury shall report to the appropriate committees on the standby or other arrangements of the Fund made during the preceding quarter, identifying separately the arrangements to which the policies described in section 601(4) of this title apply and the arrangements to which such policies do not apply.*

*Section 601.*

*\*\*\**

*(4) Policies providing that, in circumstances where a country is experiencing balance of payments difficulties due to a large short-term financing need resulting from a sudden and disruptive loss of market confidence and in order to provide an incentive for early repayment and encourage private market financing, loans made from the Fund's general resources after the date of the enactment of this section are—*

*(A) made available at an interest rate that reflects an adjustment for risk that is not less than 300 basis points in excess of the average of the market-based short term cost of financing of its largest members; and*

*(B) repaid within 1 to 2 1/2 years from each disbursement.*

**ANNEX 1**  
**Report to Congress on International Monetary Fund Lending**

**October 1, 2010 – December 31, 2010**

<b>Board Approval Date</b>	<b>Country</b>	<b>Amount</b>	<b>Type*</b>	<b>U.S. Position</b>
10/01/10	Honduras	SDR129.5 million (\$201.8 million)	SBA/SCF	Support
11/22/10	Cape Verde	N/A	PSI	Support
12/03/10	Senegal	N/A	PSI	Support
12/16/10	Ireland	SDR19.5 billion (\$30.1 billion)	EFF	Support

**\*Notes:**

1. SBA: Stand-By Arrangement; SCF: Stand-By Credit Facility; PSI: Policy Support Instrument; EFF: Extended Fund Facility

2. The policies described in section 601(4) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act 1999 did not apply to any of the programs above.

**January 1, 2011 – March 31, 2011**

<b>Board Approval Date</b>	<b>Country</b>	<b>Amount</b>	<b>Type*</b>	<b>U.S. Position</b>
01/10/2011	Mexico	SDR47.3 billion (\$72 billion)	FCL	Support
01/12/2011	St. Lucia	SDR3.83 million (\$5.85 million)	RCF	Support
		SDR1.53 million (\$2.34 million)	ENDA	
01/19/2011	FYR Macedonia	SDR413.4 million (\$645.9 million)	PCL	Support
01/31/2011	Kenya	SDR325.68 million (\$508.7 million)	ECF	Support
02/28/2011	St. Vincent and the Grenadines	SDR2.075 million (\$3.26 million)	RCF	Support
03/25/2011	Romania	SDR3.091 billion (\$4.83 billion)	SBA	Support

**\*Notes:**

1. FCL: Flexible Credit Line; RCF: Rapid Credit Facility; ENDA: Emergency Natural Disaster Assistance; PCL: Precautionary Credit Line; ECF: Extended Credit Facility; SBA: Stand-By Arrangement

2. The policies described in section 601(4) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act 1999 did not apply to any of the programs above.

**April 1, 2011 – June 30, 2011**

<b>Board Approval Date</b>	<b>Country</b>	<b>Amount</b>	<b>Type</b>	<b>U.S. Position</b>
05/06/2011	Colombia	SDR3.87 billion (\$6.22 billion)	FCL	Support
05/20/2011	Portugal	SDR23.742 billion (\$37.69 billion)	EFF	Support
06/13/2011	Mali	SDR25 million (\$40 million)	ECF Augmentation	Support
06/20/2011	Kyrgyz Republic	SDR66.6 million (\$106 million)	ECF	Support
06/27/2011	Liberia	SDR8.88 million (\$13 million)	ECF Augmentation	Support

**\* Notes:**

1. FCL: Flexible Credit Line; EFF: Extended Fund Facility; ECF: Extended Credit Facility (ECF)
2. The policies described in section 601(4) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act 1999 did not apply to any of the programs above.

**July 1, 2011 – September 30, 2011**

<b>Board Approval Date</b>	<b>Country</b>	<b>Amount</b>	<b>Type*</b>	<b>U.S. Position</b>
07/08/2011	Côte d'Ivoire	SDR81.3 million (\$129.2 million)	RCF	Support
07/13/2011	Burundi	SDR5.0 million (\$7.92 million)	ECF Augmentation	Support
07/25/2011	St. Vincent and the Grenadines	SDR1.245 million (\$2.0 million)	RCF	Support
07/27/2011	St. Kitts and Nevis	SDR52.51 million (\$84.5 million)	SBA	Support
09/29/2011	Republic of Serbia	SDR 935.4 million (\$1.5 billion)	SBA	Support

**\* Notes:**

1. RCF: Rapid Credit Facility; ECF: Extended Credit Facility; RCF: Rapid Credit Facility; SBA: Stand-By Arrangement

2. The policies described in section 601(4) of the Foreign Operations, Export Financing, and Related Programs Appropriations Act 1999 did not apply to any of the programs above.