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Rodrigo Rato selected as IMF's new Managing Director

On May 4, the IMF's Executive Board selected Rodrigo Rato, a national of Spain, to serve as Managing Director and chair of its Board. With this selection, made on a consensus basis, Rato, 55, will serve as the ninth Managing Director to head the institution in its 60-year history. Rato succeeds Horst Köhler, who resigned on March 4 to accept a nomination as candidate for the German presidency.

When he officially begins his five-year term in early June, Rato will be the first Spanish national to serve as Managing Director. Widely credited as the architect of Spain's economic transformation in recent years, Rato, who holds a law degree, an MBA, and a doctorate in economics earned in 2003, comes to the IMF after an accomplished political career in which he served more than two decades in Spain's parliament. From April 2000 to March 2004, he was Spain's Minister of Economy and Vice President of the Government for Economic Affairs, and from May 1996 to 2000, he was Minister of Economy and Finance. Rato is not the first finance minister to serve as IMF Managing Director. The IMF's first head, Camille Gutt (1946-51), and its fifth, H. Johannes Witteveen (1973-81), had been finance ministers in their respective home countries (Belgium and the Netherlands).

In his capacity as Minister of Economy, Rato served as a member of the Boards of Governors of the IMF, the World Bank, the Inter-American Development Bank, the European Investment Bank, and the European Bank for Reconstruction and Development. He also regularly attended the European Union's (EU's) Economics and Finance Ministers' meetings, and represented the EU at the Group of Seven Finance Ministers' meeting in Ottawa, Canada, in 2002, when Spain held the EU Presidency. As the minister responsible for foreign trade relations, he represented Spain at the World Trade Organization's ministerial meetings in Doha, Qatar, in 2001, and in Cancún, Mexico, in 2003.

At his first press conference at IMF headquarters in Washington on May 11, Rato said the IMF was at "a very important moment in its history"—a moment in which its role as a global institution that provides guidance and, at the same time, surveillance of the world economy is becoming increasingly important.

He also noted that despite an upswing in the global economy, risks remain. Echoing the theme of the IMF's recently concluded spring meetings, Rato indicated that the IMF should continue to improve its member countries' ability to take the chances afforded by an improving world economy to enhance their own growth. He also underscored that he, like his predecessor Horst Köhler, saw the IMF as a "human institution that is learning from the past—from success and from mistakes."

Rato told reporters that he saw the prevention of crises as the IMF's main objective. "We have certain tools for that. Surveillance is one. And our programs are the other," he said, adding that "overall, the work of this institution has been very good for the world economy and for countries in particular." Indeed, he explained, if you look at most of the countries that have had problems in recent years and that have had an IMF-supported adjustment program, you would find that "most of them are clearly in a much better position today." This was achieved, he emphasized, through a collaborative effort—a product of citizens who had made important efforts, governments that had set out sound economic policies, and institutions, such as the IMF, that had helped these countries. ■

IMF honors Jacques Polak

On April 27, the IMF's Executive Board held a special seminar in honor of the 90th birthday of Jacques J. Polak, a native of the Netherlands and one of the organization's key figures from his participation in the Bretton Woods Conference in 1944 to the present day. The event drew prominent members of the international community, including Nout Wellink, Governor of the Central Bank of the Netherlands; Boudewijn J. Van Eenennaam, the Ambassador of the Netherlands to the United States; and current and former members of the IMF Executive Board and staff.

Jacques Polak (left) is congratulated by Raghuram Rajan, current Director of the IMF Research Department, after the announcement that the IMF will name its annual research conference in Polak's honor.

Seminar guest speakers reflected on two topics close to Polak's heart: exchange rate policies and open financial markets. Sir Andrew Crockett, President of JPMorgan Chase International, who worked under Polak on the principles of exchange rate policy surveillance in the IMF Research Department in the late 1970s and who was subsequently deputy director of that department, focused his remarks on a recent paper by Michael Dooley (University of California at Santa Cruz), David Folkerts-Landau, and Peter Garber (both of Deutsche Bank) that deals with a topic that has also been a theme of much of Polak's research.

Their paper posits that the current international monetary system in a way resembles the postwar fixed exchange rate system, known as the Bretton Woods system, which collapsed in 1973. In this "revived" Bretton Woods system, they argue, the United States finds itself once again at the center of the international monetary system, with East Asia at the periphery playing the same role that Europe did in the 1950s and 1960s. The center and the periphery both benefit from the relationship and have an interest in maintaining it—therefore, the system is sustainable and stable, the authors say.

In Crockett's view, however, the comparison between the two eras is flawed. He pointed out that the Bretton Woods system developed an elaborate set of mechanisms around adjustment policies to avoid the emergence of prolonged balance of payments deficits or surpluses—unlike today's system. The current system, Crockett argued, is unsatisfactory. We have forgotten our principles for surveillance of exchange rate policies, he said, but "we have not replaced them with anything that would provide us with a satisfactory alternative."

Michael Mussa, a successor to Polak as the IMF Director of Research and Economic Counsellor and now a Senior Fellow at the Institute for International Economics, also stressed the need for more effective surveillance of exchange rate policies. Mussa noted that the exchange rate policies of many Asian emerging market countries have not received intense scrutiny from the IMF but perhaps should, given these countries' high accumulation of foreign exchange reserves in recent years. Citing the IMF's Articles of Agreement, which state that the organization "shall exercise firm surveillance over the exchange rate policies of its members," Mussa argued that IMF surveillance could afford to be firmer.

When Polak himself took the floor, it was to reflect on how the IMF came to be the leading economic institution among international organizations. In the architecture of the postwar international order, he said, the World Bank and the United Nations were put at the center of international economic policy—not the IMF. Polak credited Edward Bernstein, the first director of the IMF's Research Department, with assembling a "critical mass" of good economists and helping to establish the IMF's reputation as a respected source of analysis and thought on international economics.

A Bretton Woods career

Staff photo of Jacques J. Polak, circa 1950.

Jacques Polak began his long and distinguished career as an economist 67 years ago, when he joined the League of Nations in Geneva after receiving a Ph.D. from the University of Amsterdam. After the outbreak of World War II, he went with a small group of colleagues to Princeton University's Institute for Advanced Study, where the League's economic work continued for the duration of the war.

In 1943, he took a position at the Embassy of the Netherlands in Washington, D.C. There, he took part in the growing debate on international monetary cooperation, attending meetings with the U.S. Treasury and the Federal Reserve. This involvement paved the way for his participation, as a member of the Netherlands delegation, in the 1944 Bretton Woods Conference, where the IMF and the World Bank were founded.

In 1947, Polak joined the staff of the IMF, serving first as Chief of its Statistics Division and then, from 1958 to 1980, as Director of the Research Department. In 1966 he was appointed IMF Economic Counsellor. After his retirement from the IMF in 1980, he returned as the Executive Director for the Netherlands constituency from 1981 to 1986.

Today, Polak continues to write prolifically: his latest volume of research, *Economic Theory and Financial Policy: Selected Essays of Jacques J. Polak (1994–2004)*, will be published shortly by M.E. Sharpe.

Polak downplayed his own role in burnishing the reputation of the Research Department and raising the profile of the IMF in the international community. But his work did not go unnoticed. In addition to congratulatory messages from Queen Beatrix of the Netherlands and fellow Dutchman H. Johannes Witteveen, who served as IMF Managing Director from 1973 to 1978, the seminar showed videotaped messages from several eminent people who were unable to attend the event.

Peter Kenen, Professor of Economics and International Finance at Princeton University, observed that, under Polak's leadership, the IMF Research Department rivaled the best universities in the world as a place to work on international economic problems. Willem Duisenberg, former President of the European Central Bank and an IMF staff member from 1965 to 1969, emphasized Polak's enormous contribution to the postwar economic system, noting that he was widely regarded as the inventor of the IMF's reserve asset and unit of accounting—the special drawing right (SDR).

Jacques de Larosière, IMF Managing Director from 1978 to 1987, looked to the future in his comments. He implored Polak to "continue to write papers that enlighten and stimulate us by their novelty, their imagination, their incisiveness, and their depth."

There were also messages from Sir Jeremy Morse, whose work in the 1970s as chair of the deputies to the Committee of 20 contributed to the Second Amendment of the IMF's Articles of Agreement, and Paul Volcker, former Chair of the U.S. Federal Reserve Board. ■

Maureen Burke
IMF External Relations Department

IMF establishes new trade mechanism

There is general consensus that the current round of global trade talks—known as the Doha Round—could bring substantial benefits to developing countries by better integrating them into the world trade system. But as developing countries are well aware, long-term gains from liberalization may come with very real short-term costs. To ease the concerns of some developing countries as they embrace a more competitive international environment, the IMF in April established the Trade Integration Mechanism (TIM). Lynge Nielsen, a Senior Economist in the IMF's Policy Development and Review Department, explains the new mechanism.

The Doha Round holds the prospect of major advances for developing countries. If negotiations are concluded successfully, most-favored-nation (MFN) tariff rates—the rates members of the World Trade Organization (WTO) must grant to each other on a nondiscriminatory basis—will drop, and agricultural subsidies in the industrial countries will be lowered. But such gains are likely to emerge only over the long term and will depend on economic adjustment in developing countries. Not all developing countries, for example, stand to benefit directly from reduced MFN tariff rates. Many of these countries already export to developed countries at reduced rates under special arrangements (for example, the Everything but Arms scheme of the European Union (EU) and the African Growth and Opportunity Act of the United States).

Developing countries may also be hurt as other countries that do not now benefit from preferential market access strengthen their market position in line with reduced tariffs. Similarly, while a lowering of trade-distorting agricultural subsidies is expected to benefit many developing country exporters, it is likely to result in higher costs for food-importing developing countries.

The pending expiration of the Agreement on Textiles and Clothing (ATC) that resulted from the 1986–94 Uruguay Round complicates matters. When the agreement's special (and more restrictive) rules end in 2005, trade in textiles and clothing will be mainstreamed, with a resulting expansion of trade opportunities. However, the developing countries that currently benefit from quota constraints on competitors are likely to be hurt.

TIM in a nutshell

Under the Trade Integration Mechanism (TIM), the IMF stands ready to

- discuss new financing from conventional IMF lending facilities (that is, drawings from upper credit tranches, the Extended Fund Facility, or the Poverty Reduction and Growth Facility) with countries facing balance of payments shortfalls triggered by trade-related adjustments;
- take into account the anticipated impact of the trade adjustment on the member's balance of payments in determining the appropriate size of access under both new and existing arrangements; and
- consider augmentation of access under simplified procedures if the actual balance of payments effect turns out to be larger than anticipated.

For more information about the TIM, please see the IMF staff report *Fund Support for Trade-Related Balance of Payments Adjustments*. That report and other relevant material are available on the IMF's website (*www.imf.org*).

Creation of the TIM

To help developing country members overcome balance of payments difficulties that can arise from increased trade liberalization, the IMF established the TIM in April. Doha-related concerns provided the impetus for the new mechanism, but its application will not be limited to WTO-related trade policy shocks. If the EU were to unilaterally rationalize its policies in the sugar sector, for example, the developing countries that have benefited from the current system could request IMF assistance in the context of the TIM. And, more generally, countries may request support from the IMF under the TIM if they expect a net balance of payments shortfall as a consequence of measures implemented by other countries that open their markets in a nondiscriminatory manner. Balance of payments difficulties stemming from a country's liberalization of its own trade regime will continue to be addressed under the IMF's existing policies.

The TIM is designed to increase the predictability of resources available to member countries under the IMF's conventional financing arrangements. It is a policy, not a special financing facility. It is, in fact, similar to an initiative taken by the IMF in the late 1980s to enhance the predictability of financing available to member countries in the context of debt and debt-service-reduction operations.

Countries can request TIM support either in conjunction with a request for a new IMF financing arrangement or in the context of completing a review of an existing arrangement. In either case, the TIM offers scope, where warranted, to increase the resources available through the underlying arrangement, although overall access limits on IMF financing remain in effect. If at a later date the economic shock proves larger than anticipated, the TIM framework also offers the possibility of a rapid topping-up of access to 10 percent of the country's quota with the IMF—if necessary, outside the regular review cycle and with simplified procedures.

The conditions attached to an underlying IMF-supported adjustment program will not necessarily be affected by the incorporation of the TIM, but application of the mechanism does provide a focal point for dialogue between IMF staff and country authorities. It will encourage the early identification of actions needed to allow the economy to adjust rapidly to new trade realities.

At the Fifth Ministerial Meeting of the WTO in Cancún, Mexico, in September 2003, the World Bank announced a parallel initiative aimed at addressing trade-related sectoral and institutional concerns. Countries that avail themselves of the TIM may also request assistance from the World Bank under its lending instruments. If a country requests concurrent support from the IMF and the World Bank under these new policies, the two institutions will work closely to coordinate the policy advice being given to address the underlying problems.

Projected impact

Once the Doha Round is completed, a large number of developing countries may be negatively affected by the type of trade policy shocks that the TIM is designed to address, but only in a few instances are affected countries expected to seek assistance. Why? First, the negative impact of an erosion in import duty preferences, for example, will have to be balanced against the possibly much larger positive impact of a more liberal world trade system. And, second, major agreements under the Doha Round are likely to be phased in over several years, limiting the immediate shocks and providing countries with time to adjust.

Which countries are likely to be vulnerable to trade-related shocks? Assuming a fairly ambitious Doha Round agreement leading to a 40 percent reduction in average preference margins, IMF research suggests that about two dozen countries could experience more than a 2 percent decrease in their average export prices over the period in which the agreement will be implemented. Among the hardest hit countries would be Mauritius, Malawi, and several Caribbean countries.A slightly smaller group of countries might be vulnerable to a food import price shock.

It is difficult to predict the impact on individual countries from the imminent expiration of the ATC. But if the 15 percent reduction in bilateral quotas in 2002 (the ATC's Phase III liberalization) is any guide, a significant shift in the allocation of worldwide production of garments will take place starting later this year. When China sharply increased its garment exports in 2002–03, the countries that experienced significant decreases in their market share included Bangladesh, Cambodia, Egypt, Indonesia, Thailand, and Sri Lanka. Among vulnerable countries, 23 currently have IMF arrangements and the initial requests for support under the TIM would most likely come from some of these countries, given their already difficult balance of payments position.

The Doha Round is ambitious in scope and ultimately holds out the promise of achieving a significantly more liberal multilateral trade system in coming years—notably in agriculture. The IMF's TIM hopes to provide additional assurances to countries as they embrace further trade liberalization, thereby contributing to the successful conclusion of the Doha Round. ■

Interview with Roberto Cardarelli

Explaining the labor productivity gap between Canada and the United States

Despite the close integration of the Canadian and U.S. economies, the labor productivity gap—GDP per hour of work—between the two countries has widened over the past two decades. In a recently published IMF Country Report on Canada, Roberto Cardarelli of the IMF's Western Hemisphere Department explores the extent to which this gap reflects differences in the industrial structure of the two countries; Christine Ebrahim-zadeh of the IMF Survey *spoke with him.*

IMF Survey: How has the Canadian economy fared relative to that of the United States in recent years? Why the special interest in the labor productivity gap?

Cardarelli: In recent years, Canada's growth has exceeded that of most other industrial countries—including the United States—by substantial margins. From 1998 to 2003, the Canadian economy grew by an average 3.5 percent, which compares with 2.4 percent for all industrial countries and 2.8 percent for the United States. In fact, 2003 was the first year since 1999 that Canada's real GDP grew less than that of the United States. Still, given the unusual sequence of adverse shocks that occurred last year—such as the SARS [Severe Acute Respiratory Syndrome] outbreak, the discovery of "mad cow disease" [bovine spongiform encephalopathy] in Alberta, and especially the sharp appreciation of the Canadian dollar—one can only appreciate the resilience of Canada's economy. The country's strong performance owes much to its macroeconomic stability, based on disciplined and effective fiscal and monetary policies and structural reforms, including the implementation of a free trade agreement with the United States, which took place over most of the 1990s.

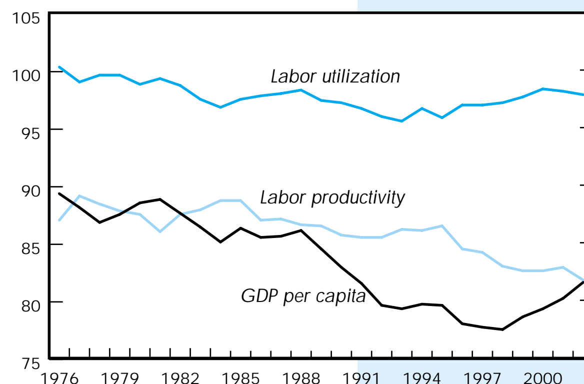
Although the Canadian economy has been reaping the benefits of structural reforms implemented during the 1990s, one area where the gap with the United States has widened rather than narrowed has been labor productivity growth. Canadian labor productivity grew by an average annual 0.3 percentage point less than in the United States from 1981 to 2000, but the gap widened to an average 0.5 percentage point in the post-1995 period. This has attracted a lot of attention in academic and policy circles.

IMF Survey: Given that the gap in per capita income between the two countries has been narrowing since the mid-1990s, why does the labor productivity gap matter?

Cardarelli: Indeed, Canada's GDP per capita—a good indicator of the standard of living—has improved significantly since 1997, and the gap with the United States narrowed from about 22 percent in 1996 to about 17 percent in 2002. Canada ranked second among the Group of Seven countries in terms of per capita income in 2002, while it was fourth in 1996.

The gap in per capita income between Canada and the United States has narrowed but the labor productivity gap has widened

(United States = 100)



Note: Labor productivity=GDP in millions of 1999 US dollars (converted at EKS PPPs) per hour worked. Labor utilization=hours worked per person.
Data: OECD

There are two ways to raise GDP per capita. One is by increasing productivity—GDP per worker. The other is by increasing the share of the population that is working—that is, the employment-to-population ratio. The narrowing of the gap in GDP per capita was entirely due to this second channel because the share of employed people has increased sharply in Canada since 1997 and is now above the U.S. level. While labor productivity growth has also accelerated since 1997, it has remained below the exceptional U.S. pace (on average about 1 percentage point of difference between the two countries for the business sector), and the gap has increased. Given that it is hard to envisage any significant further increase in the employment ratio in future decades—and that it actually may decline because of the aging population—narrowing the labor productivity gap is the only way Canada can increase its standard of living and possibly catch up with the United States.

IMF Survey: What explains the variation in labor productivity?

Cardarelli: On an aggregate basis, it appears that most of the difference in labor productivity growth after 1995 came from the smaller contribution of capital deepening in Canada, in particular in the areas of information and communication technology [ICT]. Total factor productivity growth—output growth not accounted for by changes in capital and labor—

Rather than having become less productive than the United States, Canada has been less successful in directing resources toward high-productivity sectors, in particular in the service industry.
—Roberto Cardarelli

has been very similar in these two countries, and Canada had a small relative advantage in terms of the contribution from changes in the quality of labor.

But there is more to it than that. Looking at industry data, I found that it is the difference in industrial structure that explains most of the productivity growth gap over the second half of the 1990s. In the post-1995 period, the labor productivity gap between the two countries widened not only in the ICT-producing sector but also in sectors that use ICT capital intensively. Canada's manufacturing industries that do not produce ICT, such as transportation equipment, appear to have performed well, if not better than their U.S. counterparts. However, a gap emerged in sectors that most intensively use new technologies, most notably the trade, finance, insurance, and real estate sectors, which account for a much larger share of the U.S. economy. This does not imply that the manufacturing sector, in particular the ICT-producing industries, has not contributed to the gap, but it has done so no more than in the previous period.

In other words, rather than having become less productive than the United States, Canada has been less successful in directing resources toward high-productivity sectors, in particular in the service industry.

IMF Survey: Why has the contribution from capital accumulation in ICT in Canada been more muted than in the United States?

Cardarelli: Several theories have been advanced to explain this difference. One is that small firms, which account for a larger share of the manufacturing sector in Canada than in the United States, tend to be slower to adopt new technologies than large firms. Another explanation is that capital has been more expensive relative to labor in Canada than in the United States. In particular, while the relatively higher unemployment rate and more generous public health care and pension system have helped labor costs in Canada to grow at a slower pace than in the United States over the 1990s, the cost of capital has increased faster in Canada over this period, partly because of the higher interest rates and the depreciation of the Canadian dollar. Based on this explanation, the corporate tax reductions introduced since 2000 and the recent appreciation of the Canadian dollar lay the foundation for stronger investment in ICT.

There is, however, another—albeit partial—explanation. The more muted contribution of ICT capital accumulation to productivity growth in Canada may reflect the fact that Canadian firms started investing in ICT later than their U.S. counterparts. Recent research has shown that the payoff from ICT investments in terms of measured output can be delayed considerably, given the time and resources required to reorganize production after investing in ICT capital. Our report provides evidence of relatively longer lags (around 10 years) between ICT capital accumulation and total factor productivity growth in

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Canada, suggesting that Canadian firms might benefit more from ICT investment in the near future.

IMF Survey: In recent years, trade linkages between the two countries have deepened. Has this had any impact on the gap in labor productivity growth or in narrowing the gap in per capita income?
Cardarelli: The lack of labor productivity convergence has surprised and disappointed many of those who believed Canada could take advantage of the increased trade integration of the two economies. However, I found that, on average, total factor productivity growth is positively related to the degree of vertical specialization (the extent to which these industries' trade is accounted for by inputs that are imported and embodied in exports) and trade exposure of Canadian sectors, and that this relationship has strengthened since the inception of the free trade agreement with the United States.

IMF Survey: How can Canada best close the gap?
Cardarelli: This is the most delicate and difficult question of all, of course. My results suggest that Canada's economy must continue to adjust to changing circumstances by moving resources toward high-productivity activities within the economy. To this end, the Canadian authorities should ensure that their economic policies encourage flexibility and do not hinder innovation in the public and private sectors. In particular, they should maintain sound macroeconomic policies that will help keep interest rates low and reduce uncertainty in the economy, thereby encouraging investment in human and physical capital. Removing remaining barriers to competition and distortions that prevent the most efficient allocation of resources and hinder entrepreneurship, risk taking, and innovation would also enhance Canada's long-term growth potential.

While the government has already taken important steps in this direction over the past 10 years, further action could be taken in three main areas: the financial sector (by achieving greater harmonization of securities market regulation and legislation across provinces); the labor market (by reducing the distortionary subsidization across industries and regions involved in the Employment Insurance Program); and the trade sector (while Canada's trade system remains among the most open and transparent in the world, there are regulatory barriers to foreign direct investment, especially in some areas such as communications. Further lowering barriers to interprovincial trade would also help). ■

Copies of IMF Country Report No. 04/60, *Canada: Selected Issues*, are available for $15.00 each. Please see below for ordering details.

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FATF=Financial Action Task Force
FSSA=Financial System Stability Assessment
HIPC=Heavily Indebted Poor Countries
PRGF=Poverty Reduction and Growth Facility
PRSP=Poverty Reduction Strategy Paper
ROSC=Report on the Observance of Standards and Codes

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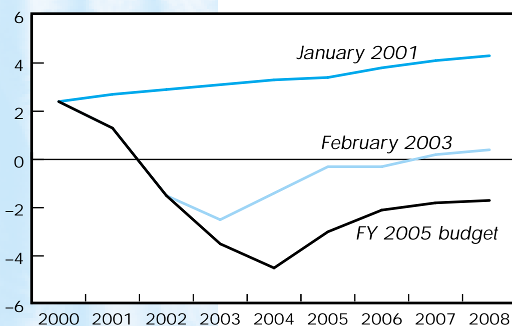
WEO argues for early consolidation of the U.S. fiscal deficit

Over the past four years, the U.S. budget deficit has deteriorated by 7 percentage points of GDP—the largest and fastest deterioration experienced since World War II. Until now, both the United States and the rest of the world have benefited from this unprecedented fiscal stimulus, which has provided additional support for global demand at a time when interest rates—particularly in the United States and Japan—were already at record-low levels. In the absence of fiscal expansion in the United States, the global recovery would most likely not have been as strong and broad as it currently is. But many observers—including the IMF—are voicing concern about the possible effects of the U.S. fiscal deficit over the medium and long terms. If left unchecked, the current fiscal expansion could in the long run reduce output by 3¾ percent below the baseline in the United States, and by 4¼ percent in other industrial countries, model simulations carried out for the IMF's April 2004 World Economic Outlook (WEO) show. Below, Nicoletta Batini from the IMF's Research Department discusses the likely effects of the U.S. fiscal deficit at home and abroad.

The U.S. fiscal outlook has deteriorated rapidly in recent years

(percent of GDP, fiscal years)



Data: FY2001, FY2003, and FY2005 budgets of the U.S. government

Between 1992 and 2000, the U.S. economy grew rapidly, propelling the global economy. From mid-2000, however, the economy weakened significantly following one of the largest stock market declines in the postwar period, the terrorist attacks of 9/11, major corporate failures, and the war in Iraq. Active fiscal policies by the federal government to help restart the U.S. economy, together with spending linked to the war on terror and a cyclical move from high to low growth, have resulted in a 7 percentage point deterioration in the U.S. budget deficit, as a ratio to GDP, in fiscal year 2004 relative to the fiscal year 2000 (see chart, this page).

How worrisome is the budget outlook?

Until now, the fiscal stimulus has had a positive impact on output in both the United States and the rest of the world as Americans have imported more without putting significant pressure on long-term interest rates. The U.S. fiscal expansion has thus provided important support for global demand at a time when monetary policies—particularly in the United States and Japan—were already stretched, with little or no further scope for cuts in short-term rates. However, there is growing concern about the medium-term effects of the fiscal expansion, including its potential implications for global interest rates, productivity, and income—not to mention the value of the dollar. These concerns have come to the fore with expectations that monetary policy will soon return to a more neutral stance, and as investment revives and the U.S. current account deficit reaches record-high levels.

From a historical perspective, the speed of the widening of the fiscal deficit has few parallels. The budget turnaround from fiscal year 2000 to 2004 as a ratio to GDP is the fastest of the past 50 years. In contrast, the current federal deficit is large but not unprecedented as a ratio to GDP: the projected deficit in fiscal year 2004 is similar in magnitude to deficits seen in the mid-1980s.

The administration projects that the deficit will decline to roughly half its 2004 level in the next five years. This decline is predicated on a series of assumptions that include buoyant tax revenues from strong economic growth, no reform of the Alternative Minimum Tax (AMT)—a parallel income tax system for higher-income taxpayers with fewer exemptions and deductions than the regular income tax—no further costs for Iraq operations after October 2004, and a strict containment of other spending in the coming years. But if spending is not contained as firmly as projected and if the AMT is reformed to avoid further increases in participation (the AMT is due to affect a growing number of people because it is neither indexed for inflation nor adjusted to compensate for recent tax cuts), U.S. fiscal deficits—instead of halving—could stay close to their current level as a ratio to output over the next decade.

Experience from reining in budget deficits in the 1980s and 1990s suggests that a sustained effort may be required to reduce the deficit. Whether this task will prove more or less difficult than in the 1980s and 1990s depends both on the relative size of today's and previous deficits and on the current economic cycle relative to the one back then.

On the positive side, the U.S. economy today looks potentially stronger than in the 1980s. Also, with the

exception of Japan, the deterioration in the fiscal position is largely limited to the United States, although the situation elsewhere is inevitably somewhat mixed. On the negative side, however, pressures on the budget are likely to increase steadily over the coming years owing to the retirement of the baby-boom generation, which will commence around 2012, and to greater longevity. Moreover, the external position of the United States is weaker today, with record-high current account deficits and rapidly growing net foreign liabilities, making the economy more vulnerable to changes in sentiment in exchange markets.

Fiscal deficit in a global perspective

A fiscal expansion in the United States affects the world through four key channels.

• It boosts economic activity at home and abroad via the short-run fiscal multiplier.

• It causes global real interest rates to rise over the medium term to rebalance saving, lowering global productivity growth and income by crowding out private consumption and investment.

• It affects incentives to work and save, and hence economic vitality, through changes in tax rates.

• It puts further pressure on the current account position in the short term and raises the United States' debt payments to the rest of the world over time. This erodes the value of the dollar, lowers consumption in the United States, and increases it elsewhere.

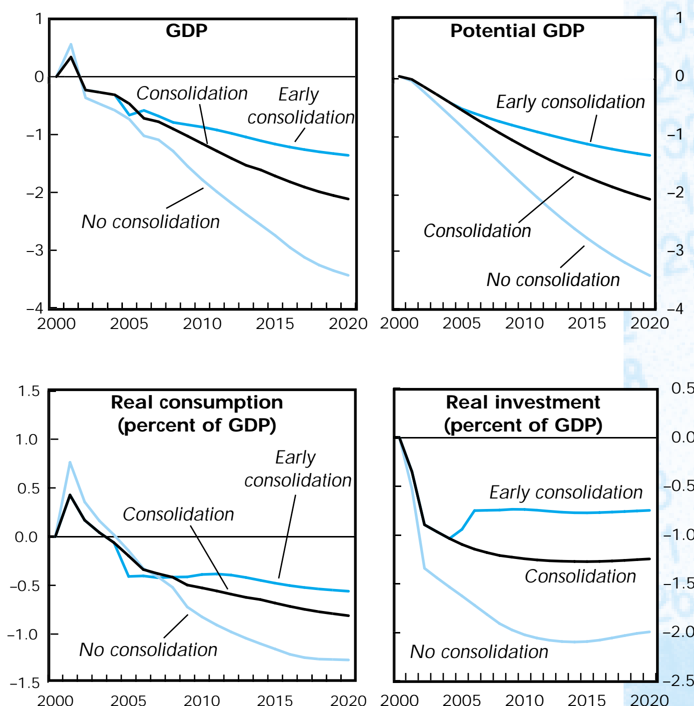
There is empirical as well as model-based evidence of these effects. This is confirmed by simulations of a fiscal shock similar to the one recently experienced by the United States, obtained using the IMF's Multi-Region Econometric Model (MULTIMOD). The simulation (see chart, this page) suggests the following:

• no consolidation of the deficit would in the long run reduce potential output by 3¾ percent below baseline in the United States, and by 4¼ percent in other industrial countries as foreign real interest rates caught up with U.S. rates.

• a gradual consolidation of the deficit (achieved by either raising more revenue or reducing expenditure), such as the one envisaged by the administration in its budget for the fiscal year 2005, would give a short-term stimulus similar to the no consolidation scenario, make little difference to real output later this decade, and reduce the longer-term losses in U.S. and foreign output capacity by one-half through less crowding out.

• an early consolidation of the deficit, whereby the fiscal stimulus would be withdrawn at the same rate at which it was introduced, would lead to mildly lower real output over 2005–08, while reducing the long-term negative impact on potential output in the United States and the rest of the world by about three-fourths.

Large losses are associated with a U.S. fiscal expansion over the medium term



[1]Includes Canada, France, Germany, Italy, Japan, the United Kingdom, and several small industrial countries.
Data: IMF MULTIMOD simulations

Consequences for the United States

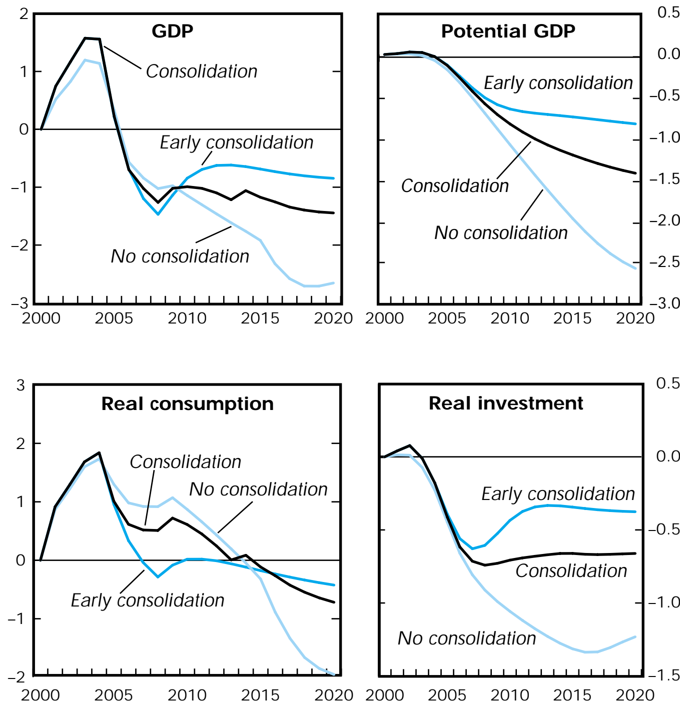
Protracted and large fiscal deficits would have three main consequences for the U.S. external position and the dollar. First, they would exacerbate current account deficits, increasing net debt and interest payments over time, eroding the value of the dollar, and reducing consumption. Second, they would reduce the macroeconomic room for macroeconomic policy maneuver in the face of subsequent negative disturbances in the U.S. economy. Third, by raising the level of debt, they would increase the risk that international investors holding U.S. assets would lose confidence in the economy, thereby increasing the probability of a disorderly adjustment of the dollar.

Effects on emerging markets

The implications of higher real interest rates in the United States could be especially damaging for emerging market economies, particularly for countries whose access to global financial markets is uncertain. Emerging markets, particularly those with high levels of external debt indexed to U.S. interest rates, would be directly affected as their debt became

Early consolidation of the fiscal deficit would minimize adverse effects

(percent deviation from baseline)



Data: IMF MULTIMOD simulations

more expensive to service and as their fiscal positions worsened in response to higher debt payments. In fact, the cost of financing would generally rise by more than the increase in U.S. interest rates as the increase in the debt burden would weaken financial conditions and widen risk premiums. Even in the absence of explicit indexing, fiscal positions in emerging market countries could deteriorate as global interest rates increased and money started flowing into safer assets. In sum, higher U.S. interest rates would increase the financial fragility of these countries and potentially trigger capital outflows.

Abrupt declines in the value of the dollar would also pose a threat to emerging market economies with large external debts denominated in dollars, because they would adversely affect these countries' balance sheets, thereby adding to their intrinsic macroeconomic volatility and difficulty in repaying debt. This is particularly true when corporate balance sheets in emerging market countries are weak and openness to trade is limited, making it difficult for countries to earn needed foreign exchange through exports.

Early consolidation is better

The findings (see chart, this page) of the IMF's *WEO* team suggest that significant benefits could be derived by adopting a more ambitious consolidation path over the medium term than the one currently proposed by the U.S. government. Earlier consolidation would contain losses in potential output, minimize the risk of an adverse financial market response, and safeguard emerging markets. The longer consolidation is postponed, the larger the fiscal adjustments that would be needed to stabilize the fiscal position later on. This would limit U.S. policymakers' room for maneuver in response to unexpected events and complicate responding to the fiscal pressures arising from an aging population. With both the United States and the global economy in recovery, a withdrawal of fiscal stimulus over the next few years in a manner that pays due attention to incentives to work and invest in the United States would be a sensible and prudent way of balancing short- and long-term economic goals. ■

Photo credits: Denio Zara, Padraic Hughes, Eugene Salazar, and Michael Spilotro for the IMF.

On May 1, the *IMF Survey* lost its long-time Art Editor, Phil Torsani, who died suddenly at his home at the age of 41. Phil began working on the *Survey* as a graphics artist in the spring of 1991 and became Art Editor with our Annual Meetings issue in 1994. Over the years, we had come to rely enormously on Phil's skill, commitment, resourcefulness, and, most especially, his exuberant sense of humor, which helped to get us through last-minute stories, computer crashes, snow storms, and even 9/11. We would like to express our deep appreciation for his exceptional dedication and effort.

Stand-By, EFF, and PRGF arrangements as of March 31

Member	Date of arrangement	Expiration date	Amount approved	Undrawn balance
			(million SDRs)	
Stand-By				
Argentina	September 20, 2003	September 19, 2006	8,981.00	4,810.00
Bolivia	April 2, 2003	April 1, 2004	85.75	21.43
Brazil	September 6, 2002	March 31, 2005	27,375.12	10,175.48
Colombia	January 15, 2003	January 14, 2005	1,548.00	1,548.00
Croatia, Republic of	February 3, 2003	April 2, 2004	105.88	105.88
Dominican Republic	August 29, 2003	August 28, 2005	437.80	306.46
Ecuador	March 21, 2003	April 20, 2004	151.00	90.60
Jordan	July 3, 2002	July 2, 2004	85.28	74.62
F.Y.R. Macedonia	April 30, 2003	June 15, 2004	20.00	8.00
Paraguay	December 15, 2003	March 31, 2005	50.00	50.00
Turkey	February 4, 2002	December 31, 2004	12,821.20	1,701.00
Ukraine	March 29, 2004	March 28, 2005	411.60	411.60
Uruguay	April 1, 2002	March 31, 2005	2,128.30	559.20
Total			**54,200.93**	**19,862.27**
EFF				
Serbia and Montenegro	May 14, 2002	May 13, 2005	650.00	350.00
Sri Lanka	April 18, 2003	April 17, 2006	144.40	123.73
Total			**794.40**	**473.73**
PRGF				
Albania	June 21, 2002	June 20, 2005	28.00	12.00
Armenia	May 23, 2001	May 22, 2004	69.00	19.00
Azerbaijan	July 6, 2001	March 31, 2005	80.45	38.61
Bangladesh	June 20, 2003	June 19, 2006	347.00	248.00
Benin	July 17, 2000	March 31, 2004	27.00	-
Burkina Faso	June 11, 2003	June 10, 2006	24.08	17.20
Burundi	January 23, 2004	January 22, 2007	69.30	42.90
Cameroon	December 21, 2000	December 20, 2004	111.42	31.83
Cape Verde	April 10, 2002	April 9, 2005	8.64	3.72
Cote d'Ivoire	March 29, 2002	March 28, 2005	292.68	234.14
Congo, Democratic Republic of	June 12, 2002	June 11, 2005	580.00	79.93
Dominica	December 29, 2003	December 28, 2006	7.69	5.02
Ethiopia	March 22, 2001	July 31, 2004	100.28	10.43
Ghana	May 9, 2003	May 8, 2006	184.50	131.80
Guinea	May 2, 2001	May 1, 2004	64.26	38.56
Guyana	September 20, 2002	March 19, 2006	54.55	43.03
Honduras	February 27, 2004	February 26, 2007	71.20	61.03
Kenya	November 21, 2003	November 20, 2006	175.00	150.00
Kyrgyz Republic	December 6, 2001	December 5, 2004	73.40	19.12
Lao People's Democratic Republic	April 25, 2001	April 24, 2005	31.70	13.58
Lesotho	March 9, 2001	June 30, 2004	24.50	3.50
Madagascar	March 1, 2001	March 1, 2005	91.65	22.70
Malawi	December 21, 2000	December 20, 2004	45.11	32.23
Mauritania	July 18, 2003	July 17, 2006	6.44	5.52
Mongolia	September 28, 2001	July 31, 2005	28.49	16.28
Nepal	November 19, 2003	November 18, 2006	49.91	42.78
Nicaragua	December 13, 2002	December 12, 2005	97.50	55.71
Niger	December 22, 2000	June 30, 2004	59.20	8.44
Pakistan	December 6, 2001	December 5, 2004	1,033.70	344.56
Rwanda	August 12, 2002	August 11, 2005	4.00	2.86
Senegal	April 28, 2003	April 27, 2006	24.27	17.33
Sierra Leone	September 26, 2001	March 25, 2005	130.84	28.00
Sri Lanka	April 18, 2003	April 17, 2006	269.00	230.61
Tajikistan	December 11, 2002	December 10, 2005	65.00	39.20
Tanzania	August 16, 2003	August 15, 2006	19.60	14.00
Gambia, The	July 18, 2002	July 17, 2005	20.22	17.33
Uganda	September 13, 2002	September 12, 2005	13.50	8.00
Vietnam	April 13, 2001	April 12, 2004	290.00	165.80
Total			**4,673.08**	**2,254.74**

EFF=Extended Fund Facility
PRGF=Poverty Reduction and Growth Facility
Figures may not add to totals owing to rounding

Data: IMF Finance Department

Members drawing on the IMF "purchase" other members' currencies, or SDRs, with an equivalent amount of their own currency.

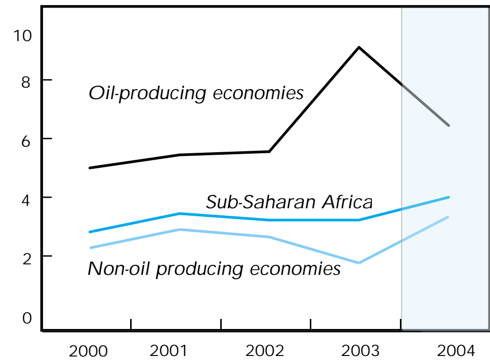
Regional Economic Outlook for Sub-Saharan Africa

Economic prospects for 2004 are mixed, but improving overall

Economic performance in many African countries continues to improve, but achievement of the Millennium Development Goals is at risk, remarked Abdoulaye Bio-Tchané, IMF African Department Director, during a press briefing on April 25 in Washington, D.C. On the brighter side, as many as 21 of sub-Saharan Africa's economies are expected to grow at rates of 5 percent or more in 2004, which would be an eight-year high. Real GDP growth for the region is expected to average a robust 4.2 percent—a rate not seen since the mid-1990s. For much of the region, however, forecast growth would still fall short of the 7 percent needed for Africa to achieve the Millennium Development Goals.

Regional average growth masks diverse performances

(real GDP growth in percent)



Note: Shaded areas indicate projections.
Data: Sub-Saharan African Regional Economic Outlook

In the oil economies in sub-Saharan Africa this year, net exports will drive real GDP growth, which is forecast to average 6.3 percent (see chart, this page). In contrast, for the non-oil economies, private consumption and public investment will be the main sources of expenditure growth. Higher growth in the non-oil economies' agricultural sectors—expected to rise to an average 3.5 percent, the highest rate since 1996—will drive growth on the production side.

Recent developments provide a basis for some optimism. Most countries have continued to make progress in restoring or maintaining macroeconomic stability and should make further strides this year. The outlook for a further easing of inflationary pressures is good, and the generally strong external positions are expected to continue. In the majority of sub-Saharan African countries, inflation rates should fall again in 2004 and are forecast to average 10 percent for the region—a 24-year low (see chart, page 145).

Key caveats

However, several important assumptions supporting higher growth—notably, increased global economic growth and greater import demand in the advanced economies, good crop-growing conditions, and at least some progress in ameliorating intraregional conflicts—are subject to a number of mainly downside risks. In addition to the presumed return of more seasonable weather in most countries, the improved outlook for inflation assumes continued monetary policy restraint, a continuing global trend of declining inflation rates, and, to a lesser extent, a tightening of fiscal policies. Moreover, for the countries that peg their currencies to the euro, the inflation forecast assumes they will continue to reap the benefit of lower import prices resulting from a stronger euro: in the CFA franc zone, notably, inflation is projected to remain below 3 percent.

The regional projections also assume the implementation of policies set forth in countries' poverty reduction strategies, IMF-supported programs, and consultation discussions with the IMF. Nevertheless, economic growth at the rate forecast for 2004 would not be unprecedented, and would be consistent with the expected increase in growth in the rest of the world.

Average growth in sub-Saharan Africa last year—at 3.4 percent, unchanged from 2002—was nowhere near the 7 percent needed for the region to achieve the Millennium Development Goals. With the region's population expanding at just under 3 percent a year, real per capita GDP growth was negligible. Growth in 23 of the region's economies slowed in 2003 despite an uptick in world output and trade growth.

Among the most common causes of this slowdown were drought (notably, in Ethiopia, Guinea, Mali, and Rwanda), conflict (Burundi, Central African Republic, Republic of Congo, and Côte d'Ivoire), lower oil production (Angola and Republic of Congo), and economic mismanagement or poor governance (Seychelles and

Zimbabwe). Indeed, conflict, civil strife, drought, and poor domestic policies continue to be clearly evident in those countries experiencing the poorest growth.

As in the past, the regional average masked diverse performances among individual countries and country groupings. While real GDP growth in sub-Saharan Africa's oil-producing countries increased to an average 8.7 percent in 2003, the average for non-oil economies slowed from 2.9 to 2.1 percent. But sharply higher oil production in Equatorial Guinea, Nigeria, and Chad—which achieved the region's highest growth rates at 14.7 percent, 10.6 percent, and 10 percent, respectively—offset contractions in the other oil economies.

Among the non-oil economies, slower growth last year primarily reflected the outturn for South Africa, the region's largest economy. South African GDP growth slowed to 1.9 percent, from 3.6 percent in 2002, largely because of the effects of the rand's appreciation on net exports. Domestic demand, rather than net exports, continued to be the main driving force behind growth in the non-oil economies.

Domestic policies matter

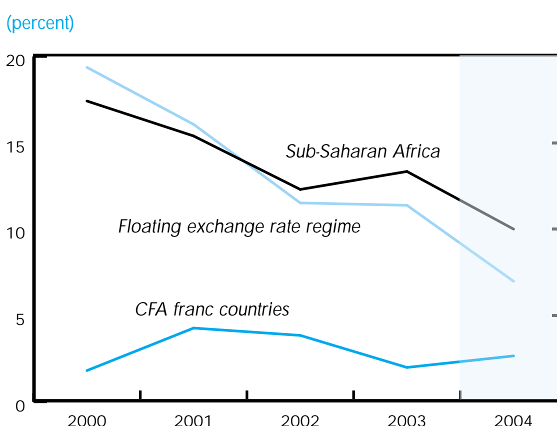
The diverse growth experiences in the region highlight that domestic policies matter. There are a number of cases in which countries facing the same external environment are having very different outcomes. Notably, several non-oil-producing countries with good policy environments seem to be firmly on paths of relatively strong, sustainable growth. Five of the fastest-growing sub-Saharan African economies during the past five years—Benin, Burkina Faso, Mozambique, Tanzania, and Uganda—have all reached their completion points under the Heavily Indebted Poor Countries' Initiative and are pursuing strong macroeconomic and structural reform agendas.

A sixth economy, Cape Verde, has been implementing wide-ranging reforms for more than a decade. Rwanda's economy has been rebounding during its recovery from the effects of the civil unrest and violence of the mid-1990s. Growth in another three of these fast-growing economies—Angola, Chad, and Equatorial Guinea—has been driven by rapid expansions in oil production. Expanded production of diamonds and other minerals has fueled growth of Botswana's economy.

Certain common characteristics of the region's faster-growing economies can be identified: inflation rates are generally lower than average (with the exception of Mozambique), and, interestingly, these economies tend to have somewhat larger fiscal and current account deficits—which have been made possible by large concessional aid flows and foreign direct investment. They also have relatively better export performance.

The region's economic performance in 2003 also makes clear that higher rates of investment and more rapid increases in total factor productivity are needed to achieve growth high enough to reduce poverty significantly. While investment increased more rapidly last year in many countries, the average investment rate for sub-Saharan Africa increased by a mere half percentage point, to 17.8 percent of GDP.

Inflation trending down



Note: Shaded areas indicate projections.
Data: Sub-Saharan African Regional Economic Outlook

According to the African Department, the main challenge now facing most sub-Saharan African countries remains how to raise economic growth rates substantially and sustainably and make progress toward the Millennium Development Goals. This will require substantial increases in investment, including from external sources, as well as a more dynamic private sector. This, in turn, points to the critical importance of improving the business climate, which would entail steadfast commitment not only to appropriate macroeconomic frameworks but also to more rapid and comprehensive structural and legislative reforms as well as improvements in governance and participatory processes. ■

This article is based on a regional economic analysis prepared semiannually by a team of IMF African Department staff led by Delphin Rwegasira, with broad guidance provided by Anupam Basu. William Scott Rogers was the report's coordinating author.

IMF Economic Forum

Health, wealth, and welfare

The past 150 years have witnessed a global transformation in human health that has enabled people to live longer, healthier, more productive lives and boosted rates of economic growth worldwide. While these trends look likely to continue, progress slowed or stopped in the 1990s in some regions, primarily as a result of the HIV/AIDS epidemic. On April 5, David Canning, a professor of economics and international health at Harvard University; Markus Haacker, a senior economist with the UN Economic Commission for Africa; and Dean Jamison, a fellow with the U.S. National Institutes of Health, examined the links between health, wealth, and human welfare. Abdoulaye Bio-Tchané, Director of the IMF's African Department, moderated the discussion.

Bio-Tchané: Better health indicators can contribute to higher economic growth and rising incomes.

While one most often hears that longer life expectancies are the result of higher income and economic growth, Bio-Tchané said in opening remarks, the causality also runs in the other direction: better health indicators can contribute to higher economic growth and rising incomes. A two-way link between health and wealth highlights the terrible potential impact of HIV/AIDS—particularly in Africa, home to 30 million infected people accounting for 70 percent of cases worldwide.

Canning: Conceptually, it is obvious that healthier people are more productive and do better economically. The new, surprising evidence is how strong the link is between health, productivity, and doing well economically.

Bio-Tchané explained that while the IMF's macroeconomic mandate does not directly involve health sector issues, the institution does respond to these issues in a number of ways, notably by providing countries with financial support that is intended partly to support health spending and improve health care and by providing technical assistance to ensure that public spending, including in the health sector, is effective and used for its intended purposes.

"Conceptually, it is obvious that healthier people are more productive and do better economically, but the new, surprising evidence is how strong this link is," Canning said. Putting this micro-level evidence together with strong evidence at the macro level that countries with healthier populations have higher economic growth rates confirms the key role health seems to play in generating economic development. And the role is important for a variety of reasons, Canning said. Healthy adults are more likely to be in the workforce, are more productive, and earn higher wages. A longer, healthier lifespan can lead people to save more for retirement. Health improvements lead to better schooling outcomes and test scores for children. And, while height in general is not closely associated with higher wages, estimated data show that for every extra centimeter in height induced by health care investments, a person's wage levels increase by 4–8 percent, he pointed out. These effects can be very large in developing countries. A survey of the extensive literature on the effects of health on output suggests that an extra year of life expectancy raises the steady-state level of income per capita by about 4 percent, Canning said.

Another indirect effect is the "demographic gift," or "demographic dividend." The increasing number of children that results from a falloff in infant mortality can have a profound effect on economies, according to Canning. Initially, this results in high youth dependency rates, which can strain the social provision of education and health. This is now happening in many African countries. But reduced infant mortality eventually causes fertility rates to fall, which can coincide with a large group of children reaching working age. This can significantly boost economic growth, Canning argued, attributing "perhaps one-third" of China's rapid economic growth to this demographic dividend.

Vicious versus virtuous

The mutually reinforcing relationship between health and economic development leads to the prospect of vicious as well as virtuous circles, however. The current HIV/AIDS crisis in Africa, for example, has had and will continue to have a very negative impact on economic development. HIV/AIDS has already taken on catastrophic proportions in certain countries, such as Botswana, where more than 35 percent of the working-age population is infected. In addition to fraying the social fabric, undermining public finances, and diverting attention from other pressing development needs, the HIV/AIDS crisis further undermines efforts to raise income and reduce poverty.

It is indeed remarkable how diverse the economic effects of HIV/AIDS are, Haacker said. He focused

his remarks on how the disease affects individuals, households, businesses, public services, and government finance and thereby the macro economy. For example, mortality rates for adults in some countries have increased to 3 percent a year. In households, the income of infected breadwinners starts falling well before they are forced into retirement, causing a substantial loss of family income. Several studies show that HIV raises companies' costs by causing increased employee absenteeism and reduced productivity.

In terms of the scourge's expected impact on public services, in African countries with severe epidemics, around 25 percent of public servants may die before they reach senior positions (within 10 years). This huge loss of human capital will substantially affect the quality of policy and the efficiency of public services, Haacker said. At the same time, governments are struggling to meet the increased demand for government services.

What are the broad implications for economic risk, macroeconomic performance, and welfare? Increased mortality affects welfare directly because life and living standards are jeopardized. As individual risk rises, the returns to education or training fall, and human capital is expected to decline, with adverse effects on the economy. At the same time, as economic and social institutions cope with the effects of HIV/AIDS, individual risk can increase. For example, in South Africa, a growing number of companies have scaled back employee death-related benefits in response to rising costs.

Gauging welfare

Canning and Jamison joined Haacker in noting the inadequacy of per capita income as an indicator of the economic effects of HIV/AIDS and, more generally, as a measure of human welfare. Yet the discussants conceded that, although knowledge of this inadequacy is widespread in the economics profession, per capita income is still widely used as a means of gauging economic welfare. "The impact of the HIV/AIDS epidemic, as conventionally measured, has been real but probably quite modest in terms of per capita GDP," Jamison said, arguing that "full income" is a better indicator for this purpose and should be included systematically in the country assessment work and associated reports of the World Bank and the IMF. In Jamison's view, reliance on GDP per capita alone is completely misleading. Adding a breakdown of GDP per capita by population quintile, along with full income, would give a more complete measure of welfare, he said. Citing Chile, Jamison explained that a 1 percentage point increase in GDP per capita growth would take 15 times as much increase in economic growth in the bottom quintile of the country's population as in the upper quintile of population.

Haacker: In African countries with severe HIV epidemics, around 25 percent of public servants may die before they reach senior positions.

While acknowledging Canning's point that income improvements can have a real, positive effect on health, Jamison said that recent evidence shows that the causal link running in this direction is not strong. Rather, the diffusion of technologies plays more of a causal role, and this can be bought or done at a very low cost. "For many of the remaining major killers, we do have at least a modest arsenal of low-cost technologies," he said, noting that the "right institutional responses" can make it possible to buy major improvements in health.

Jamison: For many of the remaining major killers, right institutional responses can make it possible to buy major improvements in health.

However, the issues surrounding the HIV/AIDS epidemic are much more difficult, Jamison said. He blamed the spread of the disease in Africa over the past 15 years partly on the failure of governments and international development agencies to respond and fund interventions to prevent the disease's further transmission and progression. "The U.S. program, despite a large amount of hype by the current administration, has not really spent a dollar after three years in developing countries," he said, while the World Bank's large and visible programs are very recent in sub-Saharan Africa and are not disbursing much yet. And although the Global Fund to Control AIDS, Tuberculosis, and Malaria—operating as a

Selected IMF rates

Week beginning	SDR interest rate	Rate of remuneration	Rate of charge
May 3	1.63	1.53	2.60
May 10	1.69	1.59	2.69

The SDR interest rate and the rate of remuneration are equal to a weighted average of interest rates on specified short-term domestic obligations in the money markets of the five countries whose currencies constitute the SDR valuation basket. The rate of remuneration is the rate of return on members' remunerated reserve tranche positions. The rate of charge, a proportion of the SDR interest rate, is the cost of using the IMF's financial resources. All three rates are computed each Friday for the following week. The basic rates of remuneration and charge are further adjusted to reflect burden-sharing arrangements. For the latest rates, call (202) 623-7171 or check the IMF website *(www.imf.org/cgi-shl/bur.pl?2004)*.

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partnership between governments, civil society, the private sector, and affected communities—has been "hard at work," it has also been underfunded.

Echoing Canning's points that health care can occupy a central position in development strategies, given its powerful potential for influencing so many other welfare indicators, Jamison called for careful economic analyses of public sector investment priorities. The results of these sorts of analyses, he concluded, would likely support the case for radical changes in development assistance policy and national budgetary priorities. ■

The full transcript of the April 5 IMF Economic Forum Health, Wealth, and Welfare is available on the IMF's website (*www.imf.org*).

Muhimbili Orthopedic Institute in Dar-es-Salaam. Health care can occupy a central position in development strategy given its powerful potential for influencing so many other welfare indicators.

Available on the web (www.imf.org)

Press Releases

04/87: IMF, World Bank, EBRD, and AsDB Release Report on CIS-7 Initiative, April 26
04/88: IMF Staff Statement on Angola, April 27
04/89: IMF Executive Board Holds Informal Meeting to Discuss Next Steps in Consideration of Candidates for the Post of Managing Director of the IMF, April 27
04/90: IMF Completes Fifth Review Under PRGF for the Republic of Armenia, Approves Request for Extension of the Arrangement Through December 2004, May 3
04/91: IMF Executive Board Selects Rodrigo Rato as IMF Managing Director, May 4
04/92: IMF Acting Managing Director Anne Krueger's Remarks Following Her Visit to Turkey, May 6
04/93: Statement of the IMF Mission to the Dominican Republic, May 7
04/94: IMF Welcomes Kenya's Poverty Reduction Strategy Paper, May 11
04/95: Sao Tome and Principe Formally Begins Participation in the IMF's General Data Dissemination System, May 13

Public Information Notices

04/46: IMF Concludes 2004 Article IV Consultation with Jordan, April 28
04/47: IMF Concludes 2003 Article IV Consultation with Chad, April 29
04/48: IMF Concludes Article IV Consultation with Israel, April 29
04/49: IMF Concludes 2004 Article IV Consultation with Luxembourg, May 4
04/50: IMF Concludes 2004 Article IV Consultation with New Zealand, May 5
04/51: IMF Concludes 2004 Article IV Consultation with Indonesia, May 9
04/52: IMF Concludes 2004 Article IV Consultation with Morocco, May 12
04/53: IMF Concludes 2004 Article IV Consultation with Togo, May 13
04/54: IMF Executive Board Concludes Review of Policy on Exceptional Access to Fund Resources, May 13

Speeches

Remarks by Anne O. Krueger, IMF Acting Managing Director, Money and Sovereignty Exhibit Opening, IMF Gallery, Washington, D.C., April 15
"Pursuing the Achievable: Macroeconomic Stability and Sustainable Growth in Turkey," Anne O. Krueger, IMF Acting Managing Director, Economic Congress of Turkey, Izmir, Turkey, May 5
"Perseverance in a Good Cause: The Benefits of Turkish Economic Reform," Anne O. Krueger, IMF Acting Managing Director, Istanbul Forum, Istanbul, May 6

Transcripts

Press Briefing on "Recent Economic Developments and Prospects in Africa," April 25
Press Briefing by Thomas C. Dawson, Director, IMF External Relations Department, April 29

PRGF=Poverty Reduction and Growth Facility