

Possible Definitions of Prolonged Use

This annex describes various approaches to defining prolonged use that have been used previously in the IMF or elsewhere and presents more details on the evolution and persistence of prolonged use.

The precise definition resulting from each approach can be made more or less restrictive by varying the threshold that separates prolonged users from “temporary” users of IMF resources.

- (i) Prolonged effective use of the IMF general resources¹ (IMF, EBS/00/187)

This concept focuses on resources borrowed under stand-by and extended arrangements and excludes programs financed from concessional trust funds (SAF, ESAF, PRGF) for low-income countries, as well as programs in which the financing approved is not fully disbursed, either because they are off-track (i.e., the country is not eligible to borrow) or because they are treated as “precautionary” by the country’s authorities. This is the narrowest of the possible approaches and risks excluding important issues, such as the implications of failed/interrupted programs and the IMF’s role in low-income countries.

- (ii) Prolonged time spent under IMF-supported programs (IMF, SM/84/91 and EBS/ 91/108)

This concept encompasses programs funded both from the General Resources Account and from concessional trusts. It also includes programs that are only partially drawn upon. It may or may not include precautionary arrangements. It does not include drawings on IMF resources not backed by programs (such as first credit tranche purchases).²

¹That is, purchases from the General Resources Account (GRA), which are typically associated with a Stand-By Arrangement (SBA) or an Extended Fund Facility (EFF) arrangement. The specific operational definition used in the 2000 review of prolonged UFR characterized as prolonged users countries with an outstanding use of IMF credit over 100 percent of quota and either 9 years or more of effective UFR in the previous 30 years, or 5 years of effective use in the previous 15 years.

²The thresholds used in internal IMF definitions have varied over time: in 1984, it was set at four or more programs with pur-

A slightly different version of this concept is used by Bird, Hussain, and Joyce (2000) to characterize frequent users of IMF resources. Their definition is based on the number of programs adopted by a country during a particular period, regardless of the type of arrangement at stake, its treatment (i.e., precautionary or not), its duration, or its degree of completion. However, because many programs have a multiyear time frame, particularly those under the EFF and PRGF, such a definition does not measure the time spent under IMF arrangements.

- (iii) Prolonged indebtedness to the IMF (IMF, EBM/86/13; Meltzer and others, 2000; and Jeanne and Zettelmeyer, 2001)

This concept focuses on the length of periods of indebtedness to the IMF, regardless of the origin of the outstanding obligations.³ However, because IMF facilities have repayment periods varying from 2½ to 10 years, this definition does not distinguish between countries that had only a few arrangements with relatively long repayment periods and those that had a large number of arrangements with shorter maturities. An interesting application of this approach was used by Jeanne and Zettelmeyer (2001) to derive estimates of the length of “lending cycles” to particular countries (Annex Table 1.1).

As noted in the main text, the current evaluation project uses a definition based on the amount of time spent under IMF arrangements, whether or not a country was eligible to draw. In principle, a distinction could be made between continuous “prolonged” use and more episodic “repeat” use. These episodic users may have interludes when their balance of payments situation improves and they

chases in the previous 10 years ; in 1986 and 1991, it was raised to five annual arrangements in the previous 10 years. In all cases, an additional criterion was an outstanding IMF credit of over 100 percent of quota at the end of the period under review.

³This concept was used to define prolonged users in a 1986 internal IMF review, with a threshold of “continuously outstanding credit tranche positions in excess of 25 percent of normal maximum for six years or more” in the previous 10 years.

Annex Table 1.1. Completed and Incomplete Debt Cycles for Borrowers from the IMF, 1947–2000

	Number of countries	Incomplete debt cycles	Average duration of cycles (years)	
			Completed	Incomplete
All countries	186	88	7.1	17.9
Industrial countries	25	0	4.7	n.a.
Developing countries	161	88	7.6	17.9
Africa	52	38	6.1	22.7
Asia	29	13	9	21.2
Europe	28	21	10.2	7.9
Middle East	14	2	6.5	9.5
Western Hemisphere	37	14	7.6	18.1
HIPC countries ¹	42	38	6.1	23.5
Non-HIPC developing countries	119	50	8	13.6
PRGF countries ²	80	58	9.3	20.6
Non-PRGF developing countries	81	30	8.2	12.7
Prolonged users (PU) ³	44	41	7.3	22.3
Non-PU developing countries	117	47	9	14.1
EMBIG countries ⁴	27	15	7.8	13.8
Non-EMBIG developing countries	134	73	7.6	18.8
Memorandum Item: excluding cycles initiated after 1991				
HIPC countries ¹	42	35	6.1	24.9
Non-HIPC developing countries	119	22	8.2	23.3
PRGF countries ²	80	43	9.3	25.6
Non-PRGF developing countries	81	14	8.6	20.4
Prolonged users (PU)	44	35	7.3	24.7
Non-PU developing countries	117	22	9.5	23.7
EMBIG countries ³	27	8	7.9	20.6
Non-EMBIG developing countries	134	49	7.8	24.9

Source: Database assembled by Jeanne and Zettelmeyer.

Note: This table is an adapted and expanded version of one shown in Jeanne and Zettelmeyer (2001). “Complete” and “incomplete” debt cycles refer to cases where a member has borrowed from the IMF and where the subsequent obligation to the IMF has eventually fallen to zero (“complete” cycle) or where further borrowing meant that the obligations to the IMF have not yet fallen to zero (“incomplete” cycle). The sum of complete and incomplete cycles exceeds the number of countries because each country may experience several lending cycles. The sum of HIPC, PRGF, PU, and EMBIG countries exceeds the total number of countries because these categories overlap in part.

¹Highly Indebted Poor Countries.

²Low-income countries eligible for IMF lending on concessional terms (as of December 31, 1998).

³Excluding countries that meet the PU criterion owing to a large number of precautionary arrangements.

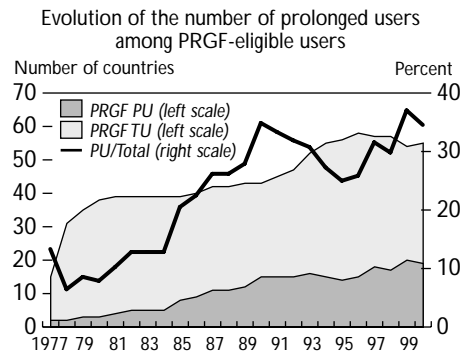
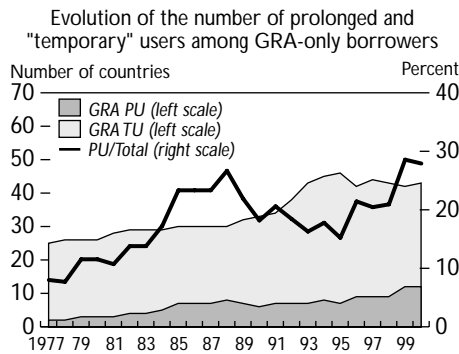
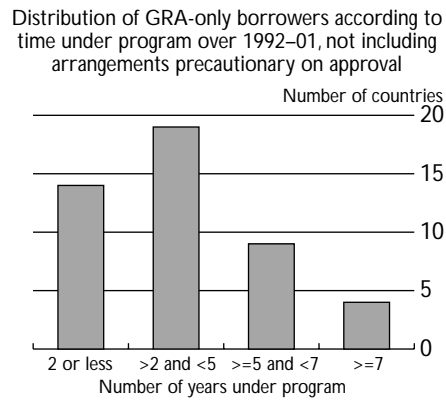
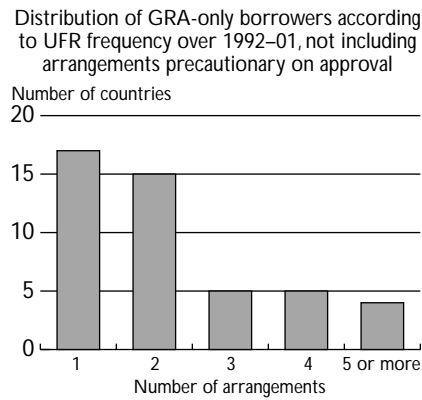
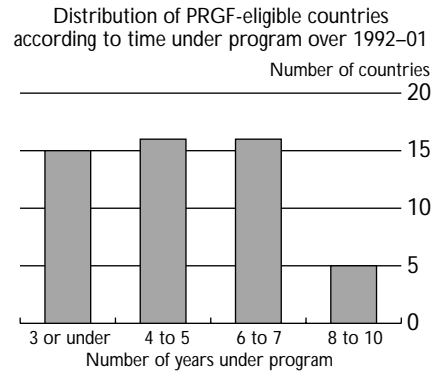
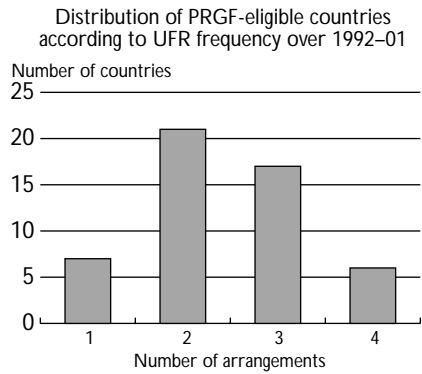
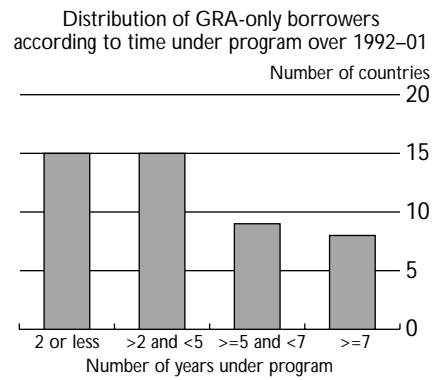
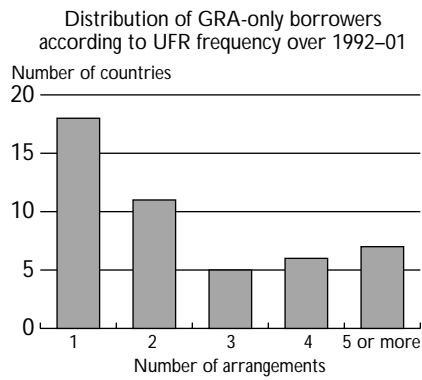
⁴Countries whose bond spreads are tracked by J.P. Morgan’s “EMBI Global” Index.

begin to repay the IMF, but such episodes are followed—perhaps as a result of intervening policy slippages—by further balance of payments problems and recourse to IMF financing. Prolonged users would encounter few such episodes of IMF “abstinence,” perhaps reflecting incomplete adjustment within the life of a program or longer-term debt sustainability problems that were not ade-

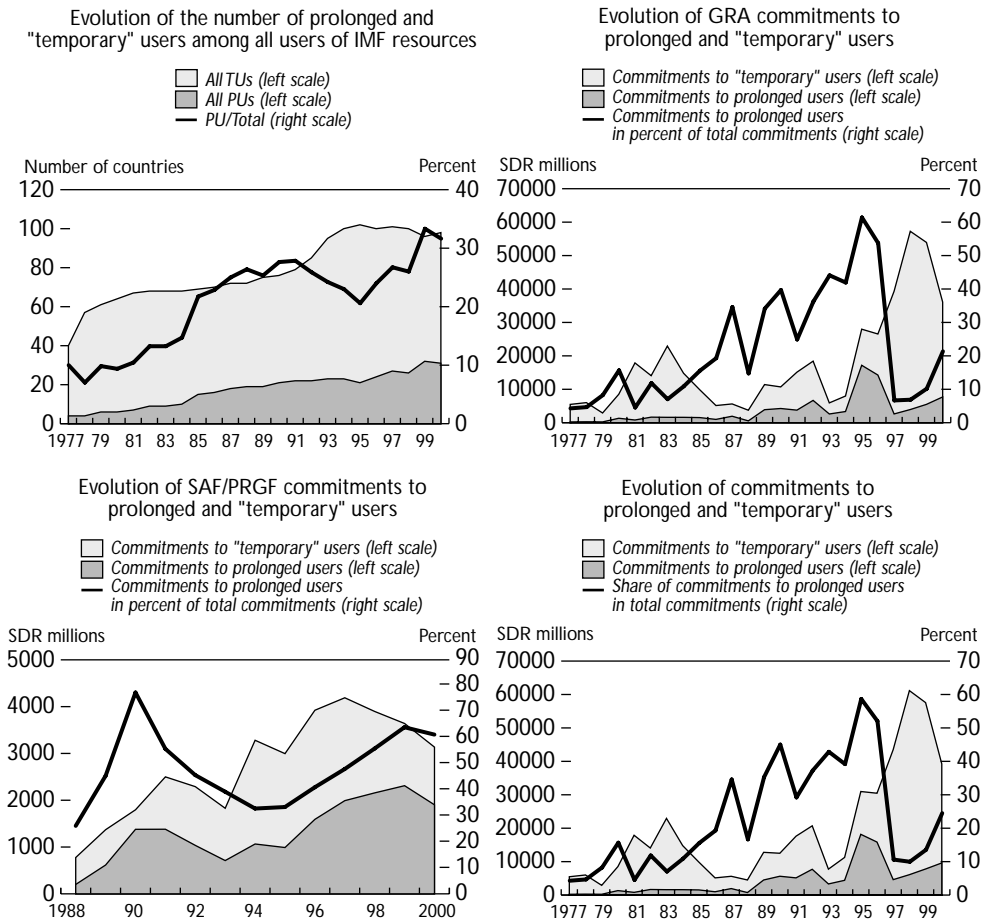
quately addressed up front. In practice, however, it is not possible to make such a clear-cut distinction: all such countries appear to have experienced interludes when their external position improved, followed by renewed difficulties.

Annex Table 1.1 and Annex Figure 1.1 provide further details of the intensity of prolonged use and its evolution to supplement the discussion in Chapter 2.

Annex Figure 1.1. Frequency and Duration of Recourse to IMF-Supported Programs Across the Membership, 1992–01



Annex Figure 1.1 (concluded)



Sources: IMF Policy Development and Review Department databases and IEO calculations.

Note: IMF members that did not enter into an arrangement with the IMF over the period are not represented in these figures. The number of prolonged users (PUs) and "temporary" users (TUs) correspond to the cumulative number of programs over a rolling 10-year time frame.

ANNEX 2

Background Material on the Evolution of IMF Policies on Prolonged Use

This annex provides additional information to support the discussion in Chapter 3.

Evolution of the IMF's Attitude to Prolonged Use

On several occasions in past decades, the Executive Board recognized that adjustment often required a longer time frame than implied by existing UFR policies¹ and, in response, instituted new modalities of UFR. These new policies were initially conceived as short term and temporary, out of concern to preserve the monetary nature of the IMF and the revolving character of its resources, but they ended up being renewed year after year. Until the early 1990s, these guiding principles were thought to apply equally to the use of the IMF's general and concessional resources.² Thereafter, the policies applied to the two groups diverged, and there was a gradual acceptance of a greater degree of prolonged use of concessional resources while giving renewed emphasis to the revolving character of the IMF's general resources.³

¹Initially, IMF financing in the upper credit tranches was typically provided under a Stand-By Arrangement, whose normal period is one year. It may extend up to but not beyond three years in appropriate cases (Executive Board Decision No. 6056-(79/38) of March 2, 1979). Since 1978, obligations incurred under a Stand-By Arrangement must be repaid within a period of 3¼ to 5 years.

²For example, EBS/91/108, "Selected Operational Issues Related with the Use of Fund Resources" explicitly notes that the principle of the revolving character of the IMF's resources must be applied consistently to general and concessional resources, and does not distinguish between the two in the remedial actions it suggests to deal with prolonged use.

³The Executive Board reviewed prolonged use on several occasions during the 1980s, starting in 1984. The last comprehensive review of prolonged UFR was discussed by the Board in 1991. Thereafter, the issue was not put on the Board's agenda until 2000, where prolonged use was discussed only as a background issue to the review of IMF facilities.

Prolonged use of the IMF's general resources

The official interpretation of the IMF's mandate initially emphasized the temporary nature of the support that the IMF could provide to its members: "The authority to use the resources of the Fund is limited to use in accordance with its purposes to give temporary assistance in financing balance of payments deficits" and "the task of the Fund is to help members that need temporary help. The Fund's attitude toward the position of each member should turn on whether the problem to be met is of temporary nature and whether the policies the member will pursue will be adequate to overcome the problem within such a period."⁴

The creation of the EFF in the wake of the first oil shock marked the first important departure from the original conception. However, the wording of the decision made it clear that this departure was intended to be the exception, not the rule: the EFF was to be used in special circumstances, including where a member suffered serious payments imbalances relating to structural maladjustments and where it was expected that the needed improvement in the balance of payments could only be achieved over an extended period. Subsequent developments, which included an increasing use of series of one-year SBAs and the institution and prorogation until 1992 of the enlarged access policy, ensured that the use of the EFF indeed remained exceptional, although not the recourse to IMF resources for a more prolonged period of time than implied by the original interpretation of the IMF's mandate.

⁴Executive Board Decisions No. 71-2 of September 26, 1946 and No. 102-(52/11) of February 13, 1952, respectively. The "Guidelines on Conditionality" adopted in 1979 further stated that: "The normal period for a stand-by arrangement will be one year. If, however, a longer period is requested by a member and considered necessary by the Fund to enable the member to implement its adjustment program successfully, the stand-by arrangement may extend beyond the period of one year. This period in appropriate cases may extend up to but not beyond three years." (Executive Board Decision No. 6056-(79/38) of March 2, 1979.)

The 2000 Executive Board discussion of the “Review of Fund Facilities” marked a sharp reversal of attitudes toward prolonged UFR. On this occasion, a number of Board members expressed concern “that some members may rely unduly on Fund financial assistance in place of seeking market financing, and saw a need to review the Fund’s policies in this connection.”⁵ These concerns led to the introduction of repurchase expectations⁶ and of surcharges on outstanding obligations to the IMF in excess of normal access (i.e., 100 percent and 300 percent of a member’s quota). While primarily aimed at providing an incentive against large use of IMF resources, this measure was also presented as an indirect incentive to avoid prolonged use, to the extent that it is associated with rising outstanding obligations.

Prolonged use of the IMF’s concessional resources

Beyond the concessionality of the loans attached to it, the main innovation brought about by the ESAF was the relaxation of the requirement that lending arrangements should solve entirely members’ balance of payments problems. Instead, programs supported by the ESAF were required only to “assure substantial progress during the three-year period toward an overall position and structure of the balance of payments that is consistent with orderly relations with creditors and a reduction in restrictions on trade and payments, while permitting the timely servicing of obligations to the Fund” (EBM/87/171). The ESAF being initially conceived as a one-off operation, the decision was ambiguous, to say the least, as to how the unfinished agenda should be tackled in the post-ESAF period.

Between 1990 and 1997, the ESAF was gradually transformed through a series of steps into a permanent facility without any restrictions on the number of arrangements that an eligible member could enter into. In late 1990, the ESAF Trust Instrument was amended so as to allow *one additional annual arrangement* at the expiration of the initial three-year ESAF arrangement, although only where performance had been satisfactory and within unchanged overall access limits. In 1992, the Board opened the possibility of renewing ESAF support through a *single one- or two-year arrangement*, when the three-

year commitment period had expired with undrawn amounts. Then, in 1993 the Instrument was amended again to allow for a second three-year arrangement, which could itself be followed by a single annual arrangement. This option was to be available only for good performers with appropriately strong adjustment programs. In 1995, the ESAF became a self-sustaining facility, offering eligible members indefinite access to concessional resources, though each member would remain bound by the limits set in 1993 regarding the number of arrangements and the “good performance” test. In 1997, these last limits were lifted.

These successive extensions were agreed upon only after protracted negotiations, due to the reluctance of a minority of Directors to legitimize prolonged use of the IMF resources, even concessional ones. The need to reflect these different perspectives led the Board as a whole to emphasize that the purpose of these successive extensions was *not to provide a source of continuous financing for individual countries*, but rather to maintain the Fund’s ability to respond to members’ needs as they arise.⁷ Apart from the factors mentioned in Chapter 3, this decision also reflected a third, “defensive lending” motivation: ensuring a smooth repayment by the countries with the heaviest debt-service ratios to the IMF.⁸

Evolution of the Strategy Vis-à-Vis Prolonged Use

Program design elements

From 1984 to 1991, reviews of prolonged use put a strong emphasis on improvements in program design and implementation to address prolonged use, each of the reviews essentially building on the previous ones and increasing the specificity of its recommendations. By contrast, the 2000 review, which tended to downplay the importance of prolonged use, did not suggest any specific remedy related to

⁵See Chairman’s summing up (BUFF/00/41).

⁶For purchases in the credit tranches and under the CFF, the expectation schedule starts one year in advance of the obligation schedule, beginning 2¼ years after a purchase and ending after 4 years. For the EFF, the expectation schedule begins after 4½ years, as with the obligation schedule, but repurchases are to be doubled, such that the expectation schedule will end after 7 years rather than 10 years under the obligation schedule.

⁷See Chairman’s summing up of EBM/97/5, EBM/97/8, and EBM/97/10.

⁸The then Managing Director put the case in the following terms: “I would suggest that these few cases could appropriately be addressed through the continued availability of concessional ESAF resources on present terms” [as opposed to extending to them one further round of ESAF arrangements with a 20-year maturity, as proposed by the U.K. Chancellor of the Exchequer]. “Through this instrument, the Fund would have the possibility of tailoring its financing to the individual situation of each member, *extending for the period needed—in a few cases through several successive ESAF arrangements—the concessional financing required . . . , while avoiding significant humps in net transfers from the member to the Fund.*” (BUFF/95/31.)

program design, nor did it recall or call for the implementation of the measures endorsed in previous reviews.

Access to IMF resources

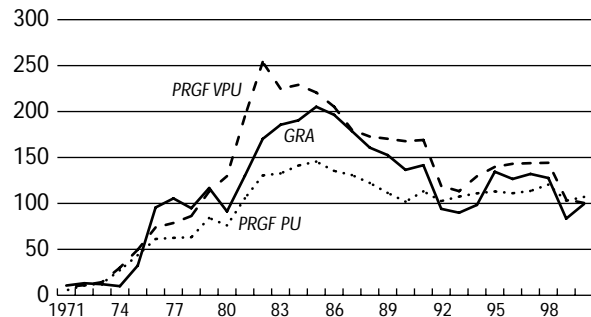
The majority view of the Executive Board regarding access has consistently been that it would not be appropriate to introduce strict rules limiting access based on the frequency or length of UFR, because even perfect implementation might fail to deliver the desired balance of payments outcome. However, the policies adopted in 1983/84 on the use of general resources made it clear that access should be reduced over time and that past performance in using the IMF's resources should be taken into account in the determination of further access.

While these policies were not applicable *ipso facto* to concessional resources, the decisions adopted by the Board from 1990 onward left little doubt that the guiding principles of access policy were similar for both categories of resources. In 1993, the Board decided that “for repeat users, access would take into account the amount of the member’s outstanding use of Fund credit and its record in using Fund resources. . . . This would signal the need to phase out the reliance on exceptional balance of payments financing” and “ensure that even with continued availability of the ESAF, individual members would, over time, phase out their reliance on ESAF support.”⁹ In 1995, the Board further specified that “lower (or no) access may be appropriate in the case of . . . countries that have relatively weak track records and are not able to implement sufficiently strong policies . . .”

Our case studies suggest that the justification of the level of access proposed in staff reports was treated in a rather perfunctory manner. This eventually caused the Executive Board in July 2000 to ask for a revision of the operational guidelines calling on staff to provide more detailed justifications of access proposals. As regards the evolution of the level of access, only about one-fifth of prolonged users with more than one three-year ESAF/PRGF arrangement had a consistently diminishing access. A similar proportion had access that actually increased over time. The remainder had access that either was stable over time or diminished only between the first and second three-year arrangement, and remained broadly stable thereafter. Among GRA arrangements, since 1990, 43 percent of prolonged users had higher annual access in their most recent (or last) arrangement than in their first, and just over a fifth had a consistently

⁹EBS/93/32, “Operational Modalities and Funding Alternatives for an ESAF” and EBS/95/130, “Continued Financing and Adaptation of the ESAF.”

Annex Figure 2.1. Average Outstanding Obligations of Prolonged Users to the IMF
(In percent of quota)



Sources: IMF Treasurer's Department and IEO calculations.

Note: In this figure, prolonged users are treated as a fixed group, consisting of the countries listed in Chapter 2. However, the broad trends are not very sensitive to the precise composition. Not every country in this sample was a prolonged user in each year. The choice of the fixed rather than the dynamic definition in this case was dictated by concerns not to understate the decline in outstanding obligations of the group of prolonged users. VPU: very prolonged users.

diminishing annual access. Another way to capture the lack of consistent implementation of access guidelines is to look at the evolution of prolonged users' outstanding obligations to the IMF over time (see Annex Figure 2.1). The general trend is fairly consistent both within and across groups: outstanding UFR declined sharply in the second half of the 1980s, but then remained fairly steady during the 1990s.¹⁰

Strengthened analytical and assessment efforts

In 1990, the Executive Board approved the proposal to include in any new UFR request a systematic review of experience under preceding arrangements. In 1995, the Board went a step further by recommending stock-taking, on a case-by-case basis, toward the end of the three-year arrangement, to reflect on what has been achieved and how to ensure strong performance in a subsequent arrangement (i.e., without necessarily waiting for a new UFR request to arise).¹¹

¹⁰The step declines observed in 1981, 1993, and 1999 partly reflect the impact of general quota increases. It should be noted that if access is reduced very gradually, disbursements may exceed repayments for a relatively long period, especially under concessional facilities, thus causing outstanding obligations to increase for a while even though access itself is being reduced.

¹¹See BUFF/90/37 and BUFF/95/95 for the acting Chairman's summing up of the relevant Board discussions.

Exit strategies

Evidence from the case studies again suggests that the recommendation that staff reports should provide medium-term balance of payments projections and attempt to foresee a reasonable timetable for the disengagement of the IMF was often not followed. For example, medium-term projections for the Philippines in the 1994 EFF projected financing gaps even after market access had been restored. Part of the problem was the lack of clear criteria for a balance of payments financing gap in cases where countries had access to private financial markets. By contrast, in Pakistan and Senegal, most medium-term projections showed no financing gap beyond the program period, but such projections proved unrealistic.

As concerns the use of strengthened surveillance in the post-program period, the emphasis put by the 2000 “Review of Fund Facilities” on post-program monitoring essentially just formalized a preexisting disposition. While all GRA arrangements have a consultation clause stating that, under certain conditions, members shall consult with the IMF after the expiry of the arrangement “at the request of the Managing Director,” the facilities review instituted a presumption that countries with obligations to the IMF exceeding 100 percent of their quota at the expiration of the program would undergo this procedure for as long as their outstanding liabilities to the IMF exceeded the threshold.

For users of concessional resources, the principle of post-program monitoring as a means of avoiding prolonged use of ESAF resources was formally established in the early 1990s. In considering operational details for an ESAF successor, the Board endorsed the suggestion of “post-ESAF enhanced consultations and program monitoring . . . on a limited transitional basis, in cases where the macroeconomic situation remains vulnerable and the authorities perceive benefits

in a continued close policy dialogue with the IMF.¹² Subsequently, it was also envisaged that one option for continued IMF support for the programs of former ESAF users that ceased to have a need for IMF financing would be through precautionary arrangements: “Directors considered that . . . a precautionary arrangement would signal the Fund’s approval of the country’s adjustment program, thereby catalyzing financial support from other sources, while providing assurances that Fund resources would be available should the country’s circumstances change. Directors were persuaded, however, by the arguments against granting precautionary ESAF arrangements. They broadly agreed that ESAF-eligible countries without a recurrent or prospective balance of payments need could instead request a precautionary extended arrangement, which could be replaced or supplemented by an ESAF arrangement in the event that a balance of payments need emerged.”¹³

The implications of this exit strategy for other creditors were spelled out rather bluntly in 1991, when a staff report noted that: “In cases where external viability is not in reasonable prospect . . . the Fund could provide support in the early stages of the adjustment process . . . to help ensure the establishment of an appropriate macroeconomic framework. However, other creditors may have to continue their contributions, in part to facilitate repayments to the Fund, and there would need to be a clear acknowledgement by creditors of the revolving character of the Fund’s resources.”¹⁴

¹²“Operational Modalities and Funding Alternatives for an ESAF Successor—Preliminary Considerations” (EBS/93/32).

¹³Chairman’s summing up of EBM/98/73 on “Distilling the Lessons from the ESAF Reviews.”

¹⁴“Selected Operational Issues Related with the Use of Fund Resources” (EBS/91/108).

ANNEX 3

Characteristics of Prolonged Users: Further Details on the Evidence

This annex provides more details of the analyses discussed in Chapter 4.

Econometric Evidence on the Characteristics of Prolonged Users

We estimated a series of probit regressions to examine whether prolonged users had economic and institutional characteristics that were different from “temporary” users. The characteristics considered, which were drawn from the recent empirical literature on participation in IMF arrangements,¹ were (i) per capita GDP; (ii) real GDP growth; (iii) current account balance (in relation to GDP); (iv) international reserves (in months of imports); (v) debt-service ratio (measured in relation to exports); (vi) openness of the economy (measured as the ratio of the sum of exports and imports to GDP); (vii) primary exports (as a share of total exports); and (viii) volatility in the terms of trade (standard deviation of the terms of trade index).

Two definitions of “prolonged use” were employed in these exercises—one “fixed” over time, and the other “dynamic” (i.e., time-specific).² Using the fixed definition, which classified a country as a prolonged user if it had IMF arrangements in 7 out of any 10-year period during 1971–2000, and entire sample period average data, we found prolonged use to be associated with lower levels of international reserves, with higher debt-service ratios, and with lower real GDP growth. There was no statistically significant difference between prolonged and “tem-

porary” users with respect to the other characteristics considered (column 1 in Annex Table 3.1).³ When the sample was limited to PRGF-eligible countries only, prolonged use was found to be associated with higher debt-service ratios and lower GDP per capita (column 2 in Annex Table 3.1).⁴

For countries not eligible for the PRGF (i.e., middle- and high-income users of IMF resources), we found no statistically significant differences between prolonged users and “temporary” users for any of the variables (column 3 in Annex Table 3.1).

Introduction of an institutional variable—quality of government bureaucracy⁵—suggested that prolonged use was associated with lower quality of government bureaucracy, and that once this factor was taken into account, the differences in economic characteristics (i.e., growth, international reserves, and debt-service ratio) were no longer significantly different between prolonged and “temporary” users (column 4 in Annex Table 3.1).

¹See, for example, Bird, Hussain, and Joyce (2000); Joyce (2001); and Barro and Lee (2002).

²Due to data limitations for several users of IMF resources during the period covered by the evaluation (1971–2000), a maximum of only 83 countries were covered in the regressions. Also, because data for 1971–75 and for 2000 were missing for many variables for many countries, the annual time series data used spanned 1976–99. Among users of IMF resources that were excluded were countries that either did not exist in 1976 or had missing data for several variables during most of 1976–99.

³The list of distinguishing characteristics here is much shorter than that reported in Bird, Hussain, and Joyce (2000), in which the authors found that repeated participation in programs (“recidivism”) was associated with: (i) lower levels of international reserves; (ii) larger current account deficits; (iii) lower and less volatile terms of trade; (iv) larger debt-service ratios; (v) larger capital outflows; (vi) lower per capita income; (vii) lower investment rates; and (viii) weaker governance. Differences in methodology may account for the different results. Bird, Hussain, and Joyce do not predefine a threshold for “recidivism”; rather they regress the number of arrangements and the number of program years on a range of variables using Poisson and negative binomial models.

⁴These estimates do not take account of the likely strong endogeneity between growth and the likelihood that a country will request an IMF arrangement—for example, because exogenous shocks that worsen the balance of payments also harm growth. In Annex 4, when this endogeneity is taken into account, the negative association between growth on prolonged use disappears for PRGF-eligible countries.

⁵The institutional variable used is the “Bureaucracy quality” index calculated by the International Country Risk Guide. It is designed to provide an indication of the policy environment, especially the extent to which policy formulation and day-to-day administrative functions are able to withstand political changes.

Annex Table 3.1. Characteristics of Prolonged Users of IMF Resources¹

Marginal probabilities	Fixed definition sample averages				Dynamic definition five-year averages			
	All (1)	PRGF (2)	non-PRGF (3)	All (4)	All (5)	PRGF (6)	non-PRGF (7)	All (8)
GDP per capita	-0.048 (1.09)	-0.545 (1.73)*	-0.039 (0.66)	0.014 (0.26)	0.012 (0.08)	1.184 (1.47)	-0.057 (0.33)	-0.078 (0.31)
Real GDP growth	-0.058 (1.72)*	-0.020 (0.42)	-0.077 (1.45)	-0.031 (0.84)	-0.020 (1.29)	-0.039 (1.33)	-0.021 (0.95)	-0.025 (0.93)
Current account balance	0.006 (0.45)	0.024 (1.29)	-0.028 (0.71)	0.013 (0.77)	-0.008 (0.93)	-0.021 (1.50)	-0.020 (1.35)	-0.045 (2.19)**
Foreign reserves	-0.070 (1.80)*	-0.084 (1.43)	-0.025 (0.42)	-0.063 (1.50)	0.056 (2.07)**	0.136 (2.75)***	-0.004 (0.10)	0.072 (1.44)
Debt-service ratio	0.015 (2.16)**	0.024 (2.10)**	-0.000 (0.03)	0.011 (1.28)	-0.004 (0.96)	-0.006 (0.72)	-0.008 (1.56)	-0.003 (0.35)
Openness	-0.001 (0.34)	0.005 (1.20)	-0.006 (1.28)	0.002 (0.76)	0.001 (0.40)	-0.003 (0.57)	0.007 (1.42)	0.008 (1.53)
Primary exports	-0.001 (0.42)	0.001 (0.20)	-0.007 (1.23)	-0.001 (0.34)	0.003 (0.63)	-0.003 (0.43)	0.008 (1.36)	0.008 (1.09)
Term of trade volatility	-0.004 (0.72)	-0.005 (0.70)	-0.006 (0.30)	-0.003 (0.66)	-0.009 (1.44)	-0.008 (0.84)	-0.015 (1.54)	0.005 (0.40)
Lagged GDP per capita					-0.000 (0.25)	-0.002 (1.83)*	0.000 (0.50)	0.000 (0.48)
Lagged real GDP growth					-0.015 (1.10)	-0.040 (1.75)*	0.000 (0.02)	0.025 (1.05)
Lagged current account balance					-0.020 (2.07)**	0.002 (0.18)	-0.064 (3.58)***	-0.076 (3.36)***
Lagged foreign reserves					-0.070 (2.57)**	-0.153 (2.79)***	-0.031 (0.98)	-0.146 (2.54)**
Lagged debt-service ratio					0.012 (2.91)***	0.018 (2.18)**	0.010 (2.20)**	0.015 (2.25)**
Lagged openness					-0.003 (0.81)	0.004 (0.72)	-0.010 (1.96)*	-0.008 (1.41)
Lagged primary exports					-0.002 (0.43)	0.006 (0.87)	-0.009 (1.40)	-0.008 (0.98)
Lagged terms of trade volatility					-0.000 (0.08)	-0.001 (0.26)	0.001 (0.22)	-0.004 (0.54)
Bureaucracy quality				-0.231 (2.06)**				-0.077 (1.03)
Observations	83	48	35	65	218	105	113	124
Pseudo R-squared	0.14	0.26	0.18	0.13	0.18	0.32	0.29	0.32
p-value	0.0378	0.0302	0.3642	0.2603	0.0000	0.0001	0.0011	0.0000

Sources: IMF, WEO and MONA databases; ICGR database; and IEO calculations

¹Bold numbers indicate that the coefficient on the variable is statistically different from zero at the following significance level: 10 percent (*), 5 percent (**), and 1 percent (***).

In order to allow for some dynamics, a second set of exercises used a period-specific definition of “prolonged use,” based on five-year average panel data (columns 5–8 in Annex Table 3.1). A country was defined to be a prolonged user in a particular five-year period if it had IMF arrangements in seven or more years during that and the preceding five-year period. Prolonged use was found to be strongly associated with (i) lower international reserves in the

preceding five-year period but higher reserves in the current five-year period; (ii) lower current account balances in the preceding five-year period; and (iii) higher debt service in the preceding five-year period. No statistically significant difference was found in the quality of bureaucracy.

When the sample was limited to only PRGF-eligible countries, prolonged use was again associated with lower levels of reserves in the previous period

Annex Table 3.2. Comparison of Starting Conditions for Groups of Prolonged and “Temporary” Users*(In percent of GDP, unless otherwise indicated)*

	Public debt	External debt	Current account balance	Overall budget balance	Inflation (in percent)
1976–79					
Prolonged users	31.9	37.7	–6.6	–6.7	23.7
“Temporary” users	58.9	15.2	–3.8	–6.0	19.0
Statistical significance	ns	**	ns	ns	ns
1988–91					
Prolonged users	116.1	157.1	–4.8	–10.1	9.8
“Temporary” users	45.3	57.1	–2.8	–5.3	24.5
Statistical significance	ns	*	ns	ns	ns

Sources: IMF, WEO database; and IEO calculations.

Note: ** and * indicate statistical significance at the 1 percent and 10 percent levels, respectively; ns indicates no significance.

but higher levels in the current period; and with higher debt-service ratios in the preceding period. Prolonged use was also associated with lower GDP growth for this group of countries. For countries not eligible for the PRGF, taking account of both contemporaneous and lagged effects, prolonged use was found to be associated with larger current account deficits, larger debt-service ratios, and less open economies.

Cross-Section Evidence on Comparison Between Prolonged and “Temporary” Users

Starting conditions

To compare the “starting conditions” of prolonged users at the beginning of their episode of prolonged use with those of contemporaneous “temporary” users, we identified two subperiods (1976–79 and 1988–91) during which a large proportion of the episodes of prolonged use that we studied were initiated and looked at economic conditions in the three years preceding the first program of the prolonged use series for the two groups of prolonged users thus identified. We then identified two control groups of “temporary” users, consisting of all the countries that entered into an IMF arrangement during the same periods. Starting conditions were appraised by looking at five measures of potential macro imbalances: public debt, external debt, current account balance, overall fiscal balance, and inflation. The results of the comparison are shown in Annex Table 3.2.

Economic performance and macroeconomic adjustment⁶

As regards GDP growth, a comparison between prolonged and “temporary” users of IMF resources over the last three decades suggests that, in most periods, prolonged users grew at a slower pace than “temporary” users, the exceptions being the early 1970s and early 1990s for middle-income countries (i.e., the times when there were few debt crises) and the 1990s for low-income countries (Annex Figure 3.1).

Export growth was generally much weaker, on average, in the group of prolonged users than in the “temporary users” group as far as low-income countries are concerned. For middle-income countries, the opposite was generally true, but differences were less pronounced (Annex Figure 3.2).⁷

The analysis of adjustment performance, as measured by trends in inflation and reductions in current account deficits, does not show any clear or consistent differences between the two groups, although

⁶See Annex Table 3.3 for detailed figures and statistical significance of the comparisons. In the results presented here, the groups “prolonged users” and “temporary users” are both fixed populations (the former group consisting of the countries listed in Chapter 2), that is, we are looking at the characteristics of a broad group of countries that, at some point in the overall period encountered episodes of prolonged use against other countries which, at some point in the same period, entered into an IMF-supported program, but which did not become prolonged users. However, because the population of prolonged users does not change much over time, the results would not be substantially altered if a “dynamic” definition of prolonged use were used.

⁷These results are statistically significant only for the PRGF-eligible group over the 1980s.

Annex Table 3.3. Comparison of Prolonged and “Temporary” Users¹*(In percent, unless otherwise specified)*

ECONOMIC PERFORMANCE									
	1971–75	1976–80	1981–85	1986–90	1991–95	1996–2000	1971–80	1981–90	1991–2000
GDP growth (Period geometric mean)									
PRGF-eligible users									
Prolonged	3.0	3.2	0.7	2.3	1.6	5.5	3.1	1.5	3.5
Temporary	3.3	2.7	3.2	2.8	0.5	3.9	3.2	3.0	1.7
<i>t</i> test significance ¹	ns	ns	**	ns	ns	ns	ns	*	ns
Non-PRGF-eligible users									
Prolonged	6.3	4.7	2.0	2.4	2.3	2.2	5.0	2.2	2.2
Temporary	5.5	5.1	2.2	2.7	1.0	3.0	5.2	2.7	1.6
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	ns
<i>Memorandum</i>									
Pakistan	3.2	6.2	6.8	5.8	4.8	2.8	4.7	6.3	3.9
Philippines	5.8	6.1	-1.3	4.7	2.2	3.3	5.9	1.7	2.7
Senegal	2.4	1.0	3.0	3.2	1.5	5.3	1.7	3.1	3.2
Per capita GDP growth									
PRGF-eligible users									
Prolonged	0.5	0.4	-1.4	0.0	-0.9	2.7	0.4	-0.7	0.7
Temporary	2.3	1.9	-0.3	0.6	-2.7	1.5	2.1	-0.2	-0.6
<i>t</i> test significance	**	*	ns	ns	ns	ns	**	ns	ns
Non-PRGF-eligible users									
Prolonged	3.1	2.2	-0.5	1.3	0.9	1.2	2.6	0.4	1.1
Temporary	4.1	2.9	1.0	2.3	-0.3	2.1	3.4	1.7	1.1
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	ns
<i>Memorandum</i>									
Pakistan	0.0	4.2	3.5	3.4	2.2	0.6	1.5	3.5	1.4
Philippines	2.9	1.9	-3.5	0.8	-0.1	1.5	3.1	-0.7	0.7
Senegal	-0.6	-0.3	-0.8	-0.7	-1.0	2.5	-1.2	0.3	0.7
Inflation									
PRGF-eligible users									
Prolonged	12.0	19.2	55.2	167.7	158.0	77.1	15.3	64.5	15.7
Temporary	10.7	11.1	13.2	13.6	18.6	33.4	10.7	14.1	23.3
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	ns
Non-PRGF-eligible users									
Prolonged	19.5	18.9	27.8	55.1	77.6	48.3	21.1	32.1	22.4
Temporary	19.5	17.2	23.0	42.8	58.4	47.3	18.3	26.4	18.6
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	ns
<i>Memorandum</i>									
Pakistan	15.7	8.8	5.2	9.4	11.2	7.3	12.2	7.0	9.2
Philippines	17.0	12.9	14.3	12.7	10.0	7.1	14.7	13.0	8.5
Senegal	13.5	8.9	7.5	-0.6	6.8	1.4	10.1	5.8	4.1
Growth of exports									
PRGF-eligible users									
Prolonged	3.2	5.7	-1.3	2.9	4.6	7.4	4.4	1.4	6.2
Temporary	4.9	4.7	2.4	4.6	4.1	9.1	4.3	3.2	4.4
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	ns
Non-PRGF-eligible users									
Prolonged	8.3	7.3	4.2	5.5	7.2	6.8	7.7	4.8	7.0
Temporary	5.1	6.7	3.2	7.1	3.6	4.8	5.1	5.2	4.3
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	ns
<i>Memorandum</i>									
Pakistan	-4.0	11.2	12.2	10.8	9.0	0.3	1.6	8.1	4.5
Philippines	4.4	8.6	2.4	7.2	9.4	3.3	9.7	3.6	6.3
Senegal	1.2	-2.7	0.5	1.2	0.8	5.0	-1.4	4.5	2.9

Annex Table 3.3 (continued)

FISCAL CHARACTERISTICS									
	1971–75	1976–80	1981–85	1986–90	1991–95	1996–2000	1971–80	1981–90	1991–2000
Overall budget deficit (percent of GDP)	(Period average)								
PRGF-eligible users									
Prolonged	-4.0	-6.0	-7.9	-4.5	-4.1	-3.1	-5.2	-6.8	-3.4
Temporary	-3.5	-5.6	-8.1	-6.1	-5.1	-3.8	-4.4	-4.3	-7.2
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	**
Non-PRGF-eligible users									
Prolonged	-3.1	-4.8	-4.5	-2.6	-1.2	-2.2	-4.1	-3.8	-1.5
Temporary	-4.1	-4.2	-5.0	-3.2	-2.7	-1.9	-3.9	-4.0	-2.3
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	ns
<i>Memorandum</i>									
Pakistan	-7.6	-8.0	-6.1	-7.3	-7.6	-6.5	-7.9	-6.7	-7.1
Philippines	-1.0	-1.3	-2.9	-3.2	-0.6	-1.3	-1.2	-3.1	-0.9
Senegal	-1.1	-0.7	-5.9	n.a.	n.a.	n.a.	-0.9	-5.9	n.a.
Tax revenues (percent of GDP)									
PRGF-eligible users									
Prolonged	13.8	14.9	16.0	14.3	14.3	14.1	16.1	15.2	15.3
Temporary	20.2	20.5	20.5	13.0	14.6	13.9	20.3	17.6	13.8
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	ns
Non-PRGF-eligible users									
Prolonged	13.1	15.6	16.3	15.0	18.7	18.7	14.3	16.3	18.5
Temporary	18.4	21.6	24.1	24.0	25.1	25.0	20.2	24.2	24.9
<i>t</i> test significance	**	**	**	**	**	**	**	**	**
<i>Memorandum</i>									
Pakistan	10.3	12.3	10.6	12.4	15.6	16.0	11.4	11.5	15.8
Philippines	15.0	18.7	18.1	n.a.	n.a.	n.a.	16.9	18.1	n.a.
Senegal	11.0	11.8	12.9	13.4	12.7	13.1	11.5	13.1	12.9
Government expenditure (percent of GDP)									
PRGF-eligible users									
Prolonged	21.1	23.8	28.5	23.5	23.2	22.1	21.5	26.0	23.1
Temporary	17.4	23.0	27.5	25.7	25.2	23.2	21.3	26.0	23.9
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	ns
Non-PRGF-eligible users									
Prolonged	22.9	26.1	25.0	22.5	23.5	24.0	24.1	24.5	23.6
Temporary	25.8	28.6	32.6	31.2	31.4	30.5	27.3	31.6	30.9
<i>t</i> test significance	ns	ns	**	**	**	**	ns	**	**
<i>Memorandum</i>									
Pakistan	16.9	17.4	19.0	23.3	23.6	22.2	17.2	21.2	23.0
Philippines	13.9	13.8	12.0	16.6	18.7	19.1	13.8	14.3	18.9
Senegal	18.2	20.3	27.1	n.a. ²	n.a.	n.a.	19.2	27.1	n.a.
Of which interest (percent of expenditure)									
PRGF-eligible users									
Prolonged	5.1	6.2	10.8	10.0	14.9	16.8	5.2	10.3	14.7
Temporary	3.2	4.1	5.9	8.6	11.8	14.1	3.7	6.6	11.9
<i>t</i> test significance	**	**	**	ns	ns	ns	ns	**	ns
Non-PRGF-eligible users									
Prolonged	4.7	6.3	12.7	15.7	12.2	11.9	5.3	14.9	12.0
Temporary	4.7	5.7	9.6	13.0	11.3	10.3	5.1	11.5	10.9
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	ns
<i>Memorandum</i>									
Pakistan	9.8	10.7	14.4	19.9	23.9	29.1	10.4	16.9	26.2
Philippines	3.7	5.6	13.8	32.4	27.2	18.4	4.8	23.1	23.3
Senegal	2.3	6.2	7.5	n.a.	n.a.	n.a.	4.3	7.5	n.a.

Annex Table 3.3 (continued)

FISCAL CHARACTERISTICS (CONTINUED)									
	1971–75	1976–80	1981–85	1986–90	1991–95	1996–2000	1971–80	1981–90	1991–2000
Of which defense (percent of expenditure)	(Period average)								
PRGF-eligible users									
Prolonged	n.a.	n.a.	n.a.	14.4	10.1	10.5	n.a.	14.5	9.9
Temporary	n.a.	n.a.	n.a.	20.6	16.4	17.1	n.a.	20.5	16.5
<i>t</i> test significance	n.a.	n.a.	n.a.	ns	**	**	n.a.	ns	**
Non-PRGF-eligible users									
Prolonged	n.a.	n.a.	n.a.	18.1	11.2	9.7	n.a.	17.2	11.2
Temporary	n.a.	n.a.	n.a.	10.5	9.3	9.0	n.a.	10.5	9.1
<i>t</i> test significance	n.a.	n.a.	n.a.	**	ns	ns	n.a.	**	ns
<i>Memorandum</i>									
Pakistan	n.a.	n.a.	28.1	27.6	26.6	24.0	n.a.	27.7	25.9
Philippines	n.a.	n.a.	9.5	11.2	10.1	8.4	n.a.	10.9	9.6
Senegal	n.a.	n.a.	8.8	6.6	10.3	8.7	n.a.	7.1	9.8
Public debt stock (percent of GDP)									
PRGF-eligible users									
Prolonged	30.6	46.7	90.2	90.8	92.0	94.9	38.6	86.2	81.9
Temporary	44.4	21.0	47.1	56.0	81.3	95.0	42.4	53.9	84.8
<i>t</i> test significance	ns	**	**	**	ns	ns	ns	**	ns
Non-PRGF-eligible users									
Prolonged	43.4	37.9	45.7	55.2	44.1	40.5	40.5	54.5	42.1
Temporary	29.2	36.1	51.7	48.4	45.4	43.3	32.6	47.6	43.3
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	ns
<i>Memorandum</i>									
Pakistan	66.9	56.8	54.4	73.8	76.5	79.1	61.8	64.1	77.2
Philippines	43.5	30.2	29.6	51.9	58.1	60.3	36.8	40.8	58.9
Senegal	13.9	n.a.	60.0	n.a.	n.a.	n.a.	8.0	60.0	n.a.
Public debt service									
PRGF-eligible users									
Prolonged	10.0	14.2	22.6	26.2	22.1	17.0	13.6	24.2	19.8
Temporary	8.1	7.7	15.6	19.3	12.4	12.5	7.7	17.1	12.6
<i>t</i> test significance	ns	**	ns	ns	**	ns	**	**	**
Non-PRGF-eligible users									
Prolonged	5.4	25.1	28.4	26.1	18.6	19.8	24.5	27.3	19.1
Temporary	14.3	15.5	21.9	23.4	14.0	15.5	15.0	22.7	14.8
<i>t</i> test significance	**	**	**	**	**	**	**	**	**
<i>Memorandum</i>									
Pakistan	20.9	19.9	19.4	24.9	26.2	27.9	20.4	22.2	26.9
Philippines	n.a.	23.4	35.5	30.6	21.6	12.2	23.4	33.1	17.4
Senegal	6.2	14.6	15.8	27.7	15.5	18.4	12.2	21.8	16.8
PPG debt service (percent revenue)									
PRGF-eligible users									
Prolonged	14.2	15.5	19.7	23.2	24.6	19.4	14.8	21.0	23.5
Temporary	6.9	6.1	10.6	14.3	15.6	18.4	6.3	12.2	17.3
<i>t</i> test significance	ns	**	**	**	**	**	**	**	**
Non-PRGF-eligible users									
Prolonged	14.8	22.6	32.0	27.5	20.2	22.3	19.1	29.4	21.4
Temporary	8.4	10.3	15.7	23.8	15.5	14.5	9.4	19.2	15.0
<i>t</i> test significance	**	**	**	ns	ns	**	**	**	**
<i>Memorandum</i>									
Pakistan	19.1	15.9	18.0	18.8	23.6	21.3	17.1	18.4	22.6
Philippines	13.0	14.9	28.0	43.2	35.7	30.9	14.1	35.6	33.6
Senegal	10.0	24.1	18.1	n.a.	n.a.	n.a.	17.0	18.1	n.a.

Annex Table 3.3 (continued)

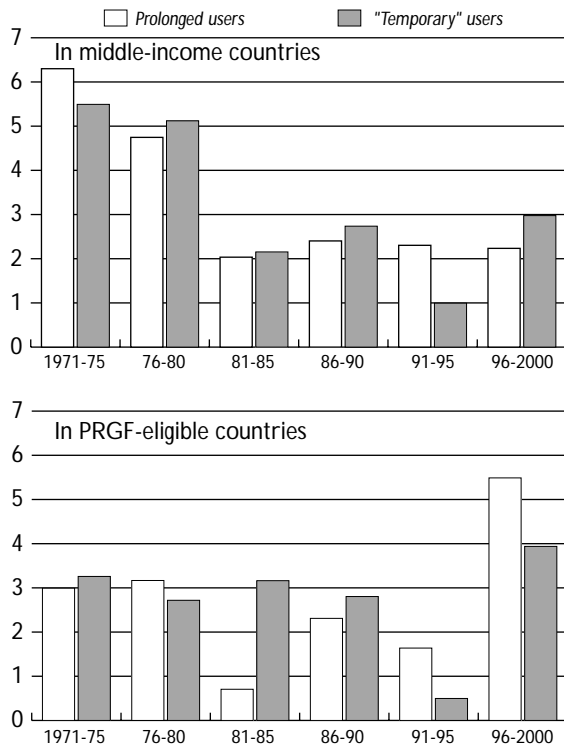
FISCAL CHARACTERISTICS (CONCLUDED)									
	1971–75	1976–80	1981–85	1986–90	1991–95	1996–2000	1971–80	1981–90	1991–2000
Stock of external debt (percent of GDP) (Period average)									
PRGF-eligible users									
Prolonged	29.0	31.1	35.6	40.7	46.0	51.9	56.7	63.0	70.2
Temporary	12.4	27.3	45.1	78.3	109.8	98.7	19.9	59.4	111.1
<i>t</i> test significance	**	ns	ns	**	**	**	**	ns	ns
Non-PRGF-eligible users									
Prolonged	28.7	41.7	63.9	78.7	61.7	53.1	35.2	71.3	58.3
Temporary	20.0	28.1	43.0	54.1	47.0	42.5	24.1	49.7	47.6
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	ns
<i>Memorandum</i>									
Pakistan	52.2	47.0	40.0	47.8	50.3	51.5	48.5	43.9	50.8
Philippines	29.1	45.3	72.1	79.4	62.5	61.2	37.2	75.8	61.9
Senegal	17.0	36.7	61.0	59.7	66.2	75.4	30.5	70.8	61.2
BALANCE OF PAYMENTS CHARACTERISTICS									
	1971–75	1976–80	1981–85	1986–90	1991–95	1996–2000	1971–80	1981–90	1991–2000
Current account deficit (percent of GDP) (Period average)									
PRGF-eligible users									
Prolonged	-4.4	-3.2	-7.4	-5.7	-7.7	-9.0	-3.5	-6.1	-8.3
Temporary	-4.2	-4.5	-7.4	-6.0	-7.9	-9.1	-4.7	-6.4	-8.6
<i>t</i> test significance	ns	**	ns	ns	ns	ns	**	ns	ns
Non-PRGF-eligible users									
Prolonged	-2.8	-3.4	-3.9	-2.3	-2.8	-2.7	-3.4	-2.9	-2.8
Temporary	-4.5	-2.6	-5.6	-1.8	-1.9	-3.0	-2.9	-3.5	-2.3
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	ns
<i>Memorandum</i>									
Pakistan	-4.7	-4.6	-2.7	-2.6	-3.6	-4.8	-4.6	-2.6	-4.1
Philippines	n.a.	-5.0	-5.4	-1.7	-3.4	0.7	-5.0	-3.6	-1.6
Senegal	-4.6	-8.3	-13.4	-8.2	-6.4	-4.2	-7.2	-10.8	-5.4
Gross international reserves (months of imports)									
PRGF-eligible users									
Prolonged	4.3	4.7	4.5	4.7	5.8	6.6	4.7	4.7	6.2
Temporary	5.0	3.4	2.6	2.5	2.7	3.4	3.4	2.5	3.1
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	ns
Non-PRGF-eligible users									
Prolonged	5.5	8.5	7.4	7.8	8.5	8.8	8.5	7.5	8.6
Temporary	4.3	4.7	3.1	3.2	3.3	3.5	4.5	3.2	3.3
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	ns
<i>Memorandum</i>									
Pakistan	3.6	2.9	3.0	1.8	2.0	1.3	3.2	2.4	1.7
Philippines	n.a.	4.3	1.7	2.4	3.1	3.2	4.3	2.0	3.1
Senegal	0.3	0.3	0.2	0.2	0.7	2.6	0.3	0.2	1.6
Gross international reserves (billions of U.S. dollars)									
PRGF-eligible users									
Prolonged	0.1	0.2	0.2	0.3	0.7	0.1	0.2	0.3	0.8
Temporary	0.1	0.4	0.8	0.9	1.7	4.8	0.3	0.8	3.0
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	ns
Non-PRGF-eligible users									
Prolonged	0.6	1.5	1.5	2.5	5.1	4.2	1.0	2.0	7.0
Temporary	0.1	2.4	2.5	2.9	5.7	8.3	1.7	2.7	6.9
<i>t</i> test significance	**	ns	ns	ns	ns	**	ns	ns	ns
<i>Memorandum</i>									
Pakistan	0.5	1.0	1.8	1.3	2.2	0.2	0.7	1.5	1.9
Philippines	1.0	2.5	1.5	2.3	6.1	4.9	1.8	1.9	8.3
Senegal	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.2

Annex Table 3.3 (concluded)

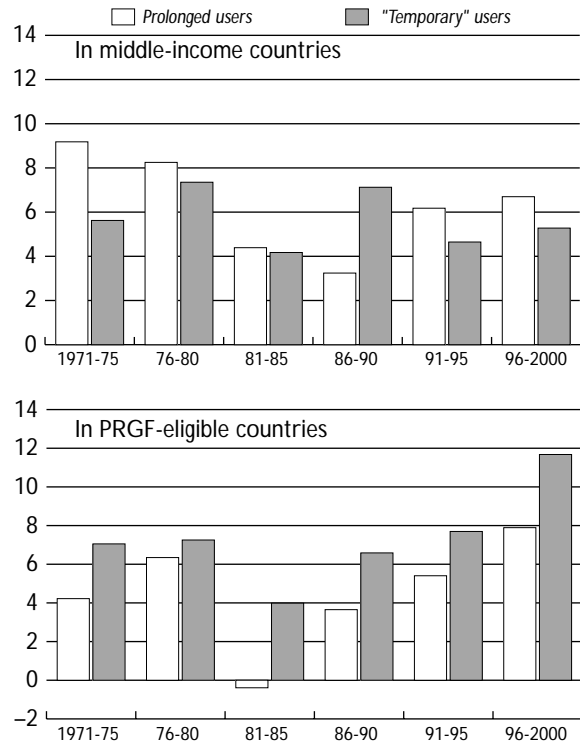
BALANCE OF PAYMENTS CHARACTERISTICS (CONCLUDED)									
	1971–75	1976–80	1981–85	1986–90	1991–95	1996–2000	1971–80	1981–90	1991–2000
Gross international reserves (percent external debt)	(Period average)								
PRGF-eligible users									
Prolonged	35.9	14.1	6.2	6.0	9.1	11.5	24.8	6.1	10.2
Temporary	103.3	64.0	33.6	20.4	18.2	23.9	84.7	25.2	21.0
<i>t</i> test significance	ns	**	**	**	**	**	**	**	**
Non-PRGF-eligible users									
Prolonged	60.4	33.3	14.7	17.2	28.8	25.4	44.1	15.9	26.3
Temporary	93.6	77.8	30.1	24.7	46.8	39.9	84.7	27.4	43.2
<i>t</i> test significance	ns	ns	**	ns	ns	**	**	**	**
<i>Memorandum</i>									
Pakistan	9.9	11.5	15.1	7.5	8.3	5.6	10.7	11.3	7.0
Philippines	32.8	23.0	6.3	7.9	17.0	25.8	27.9	7.1	21.4
Senegal	11.5	3.9	1.0	0.7	2.8	10.6	7.7	0.8	6.7
Terms of trade									
PRGF-eligible users									
Prolonged	141.7	146.6	119.9	113.0	96.6	105.3	144.1	116.5	100.9
Temporary	137.0	146.9	143.1	134.9	115.4	118.8	142.0	139.0	117.1
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	ns
Non-PRGF-eligible users									
Prolonged	97.7	105.3	102.1	97.0	97.5	96.9	101.5	99.5	97.5
Temporary	99.5	103.7	106.1	103.6	99.5	100.2	101.6	104.8	99.8
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	**
<i>Memorandum</i>									
Pakistan	132.5	133.6	124.2	120.2	97.1	118.7	133.0	122.2	107.9
Philippines	124.9	96.8	92.8	106.7	105.3	92.0	110.9	99.8	100.5
Senegal	100.6	105.3	103.6	112.7	100.7	100.3	102.9	108.1	100.5
Trade (percent of GDP)									
PRGF-eligible users									
Prolonged	58.6	65.2	60.8	60.1	68.4	73.7	61.5	61.1	70.7
Temporary	41.2	68.3	62.7	60.3	71.9	75.8	65.6	60.6	74.7
<i>t</i> test significance	**	ns	ns	ns	ns	ns	ns	ns	ns
Non-PRGF-eligible users									
Prolonged	48.2	59.8	61.0	60.8	66.4	73.4	58.9	61.9	69.5
Temporary	61.9	72.0	69.9	71.1	80.7	85.2	69.5	70.9	82.7
<i>t</i> test significance	**	**	ns	**	**	**	**	**	**
<i>Memorandum</i>									
Pakistan	29.2	31.2	33.8	35.7	39.0	37.8	30.2	34.7	38.5
Philippines	45.0	47.1	48.5	55.3	70.2	102.4	46.1	51.9	84.5
Senegal	69.5	76.3	79.7	56.1	62.9	72.8	72.9	67.9	67.3
Share of primary exports (percent of merchandise exports)									
PRGF-eligible users									
Prolonged	89.3	88.2	84.5	76.3	76.8	73.7	88.2	83.6	77.7
Temporary	86.5	82.1	76.5	68.0	69.4	59.5	84.8	75.6	67.1
<i>t</i> test significance	ns	ns	ns	ns	ns	**	ns	ns	ns
Non-PRGF-eligible users									
Prolonged	73.1	69.3	66.7	58.2	53.3	49.9	71.2	61.0	51.2
Temporary	72.5	67.8	65.4	56.2	47.8	45.9	69.7	61.5	47.0
<i>t</i> test significance	ns	ns	ns	ns	ns	ns	ns	ns	ns
<i>Memorandum</i>									
Pakistan	44.1	44.8	39.8	29.5	17.6	15.5	44.4	34.6	16.7
Philippines	90.2	81.0	75.5	65.9	52.4	24.5	85.6	70.7	40.0
Senegal	81.9	88.0	87.2	75.9	65.6	49.0	84.6	80.7	58.3

Sources: IMF, WEO, IFS, and GFS databases; and IEO calculations.

¹ns indicates the compared means are not statistically significant, while * and ** indicate statistical significance at 95 percent and 99 percent confidence levels, respectively, according to *t* student test.²n.a. denotes data are not available.

Annex Figure 3.1. GDP Growth*(Five-year average annual change; in percent)*

Sources: IMF, WEO database; and IEO calculations.

Annex Figure 3.2. Export Growth*(Average annual change; in percent)*

Sources: IMF, WEO database; and IEO calculations.

there are large variations within each group.⁸ As regards fiscal deficits, in both middle- and low-income countries, prolonged users had higher deficits in the late 1970s, but they adjusted faster thereafter and thus had lower deficits than “temporary” users in subsequent periods (see Annex Figure 3.3).

Key fiscal characteristics***Prolonged users have lower and more rigid government expenditure***

Among middle-income countries, the expenditure to GDP ratio of prolonged users was consistently and markedly lower than for “temporary” users over 1971–2000. In other words, the prolonged users are not necessarily those with a tendency toward “big” government—indeed the reverse; as will be seen below, the most obvious distinguishing characteristic

appears to be a weak tax base. The differences were less marked for the PRGF-eligible countries.

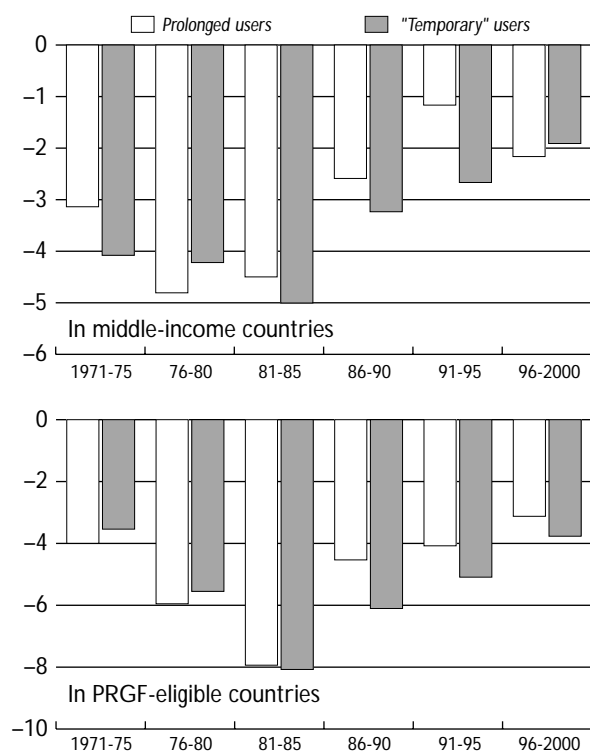
In both low-income and middle-income countries, the government expenditure to GDP ratio expanded significantly less over the last three decades in prolonged user countries than in “temporary” user countries, which might reflect either the fiscal discipline imposed by the successive IMF-supported programs entered into by prolonged users, or simply their generally poor ability to increase revenue collection, or some combination of the two (see below). The likely impact of IMF-supported programs is suggested by the pattern of government expenditure in low-income countries, which exhibits a clear downside break in the mid-1980s, when most of these countries started making extensive use of IMF resources, under newly created concessional facilities (Annex Figure 3.4).

The analysis of the composition of government expenditure further reveals that, regardless of the income group, *prolonged users had higher interest and defense expenditure* (as a proportion of total ex-

⁸See Annex Table 3.3.

Annex Figure 3.3. Evolution of Overall Fiscal Deficit

(Five-year annual average; in percent of GDP)



Sources: IMF, GFS database; and IEO calculations.

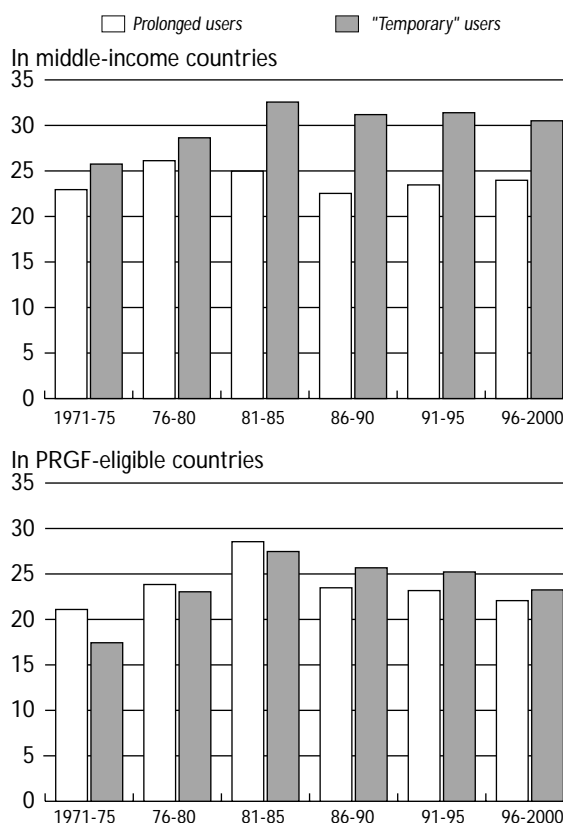
penditure) in all periods since 1970, and especially in the 1980s, largely reflecting a buildup in debt problems (see below). Other things being equal, these differences would result in a more rigid structure of expenditure in prolonged user countries, which might account for a more protracted adjustment process (Annex Figure 3.5).

Middle-income prolonged users collect less tax revenue

Differences related to the tax revenue to GDP ratio are particularly pronounced among middle-income countries: over 1971–2000, prolonged users in that category have consistently had lower tax to GDP ratios than “temporary” users. Both prolonged and “temporary” users have registered increases in that ratio over time, but that increase was faster for “temporary” users up to the 1990s. By contrast, among low-income countries, there was no sustained increase in the tax revenue to GDP ratio over time, and the gap between prolonged and “temporary” users, which pre-

Annex Figure 3.4. Government Expenditure

(Five-year annual average; in percent of GDP)



Sources: IMF, GFS database; and IEO calculations.

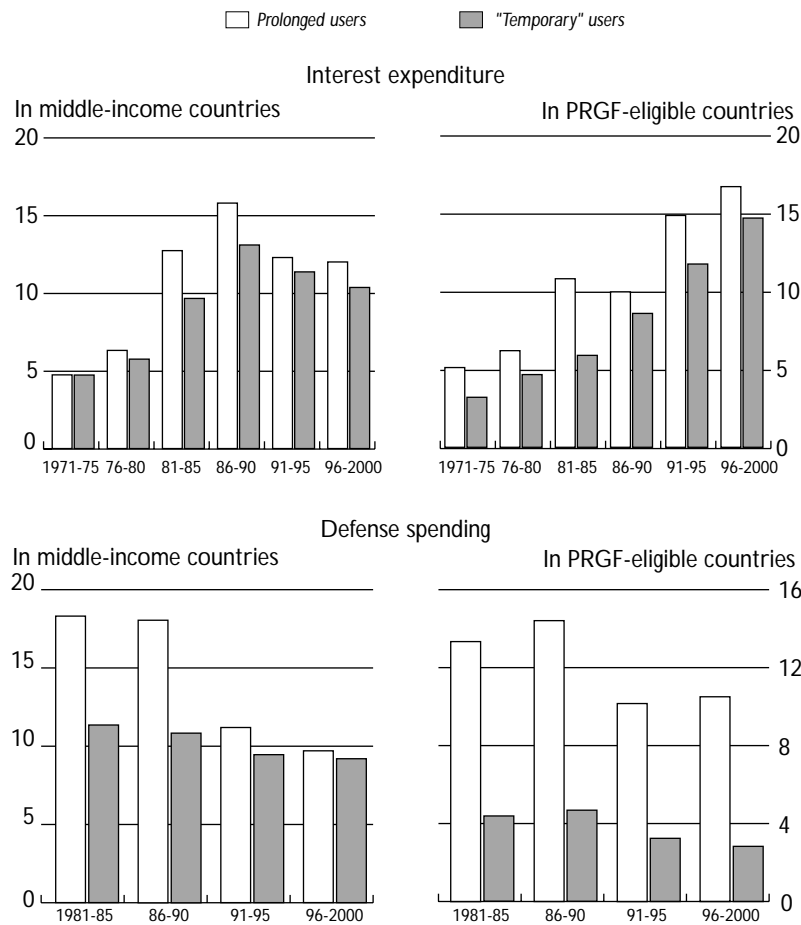
ailed until the mid-1980s, was eliminated in later periods only owing to a decline in “temporary” users’ tax revenues (Annex Figure 3.6).

Prolonged users faced a higher public debt burden for most of the period

Among PRGF-eligible countries, prolonged users’ stock of public debt (relative to GDP) was three times as large as that of “temporary” users at the beginning of the period. However, differences rapidly diminished from the mid-1980s onward, as the “temporary” users borrowed at a much faster pace than the prolonged users, perhaps reflecting the fact that many prolonged users had already encountered debt problems.

Among middle-income countries, prolonged users initially had a substantially lower public debt stock (relative to GDP) but debt levels for the group built up rapidly during the 1980s (Annex Figure 3.7).

Annex Figure 3.5. Interest and Defense Expenditure
(Five-year annual average; in percent of total government expenditure)



Sources: IMF, WEO database; and IEO calculations.

External sector

Trade

For both low- and middle-income countries, but particularly for the latter, terms of trade shocks⁹ were, on average, of greater magnitude in prolonged user countries.

As regards trade openness, there is a marked difference among middle-income countries: prolonged users were continuously less open than “temporary” users, in the sense that their trade to GDP ratio was consistently lower—by 10 to 15 percentage points—

⁹The definition of terms of trade shocks used here is the same as in Ivanova and others (2001) and Dollar and Svensson (2000), namely the difference between the change in the price of exports weighted by the share of exports in GDP and the change in the price of imports weighted by the share of imports in GDP (see Annex Table 3.3).

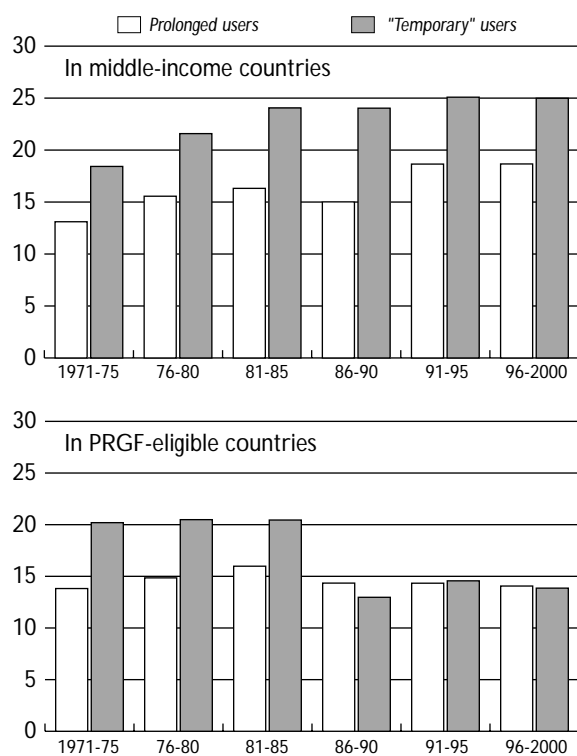
over 1971–2000, even though for both groups that ratio increased over the period (Annex Figure 3.8). By contrast, there is no significant difference between “temporary” and prolonged users as far as PRGF-eligible countries are concerned.

With respect to the composition of exports, *prolonged users* in both PRGF-eligible and non-PRGF-eligible groups had a higher share of primary exports than “temporary” users, and that gap tended to increase over time. The concentration of exports on primary commodities also declined faster in “temporary” users, which may be related to their greater openness to trade (see Annex Figure 3.8).

In keeping with the findings of previous studies on the determinants of repeat UFR,¹⁰ both groups

¹⁰For example, Bird, Hussain, and Joyce (2000).

Annex Figure 3.6. Tax Revenues to GDP Ratio
(Five-year annual average)



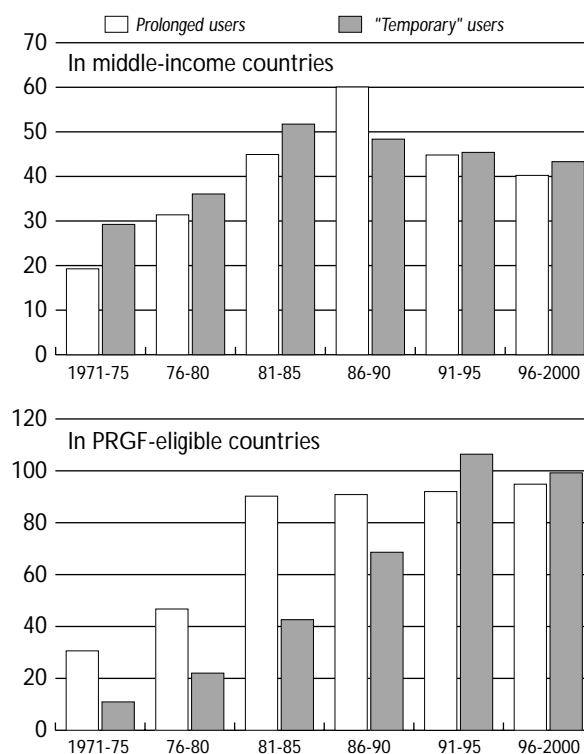
Sources: IMF, GFS database; and IEO calculations.

of prolonged users on average had markedly lower gross reserves (in relation to their external debt) than “temporary” users. However, data on imports coverage by gross international reserves unexpectedly indicate that prolonged users have had a slightly higher coverage of imports than “temporary” users throughout the 1971–2000 period, and the difference, although small, is statistically significant (Annex Table 3.3). Once again, this may reflect the generally lower trade openness of the prolonged users.

Prolonged users generally faced a heavier external debt and debt-service burden

As far as the stock of external debt is concerned, prolonged users had a significantly larger debt/GDP ratio than “temporary” users until the late 1980s, after which the relationship reversed itself, even though the external debt of PRGF-eligible prolonged users kept rising in relation to their GDP. However, the debt-service burden, as measured by the external

Annex Figure 3.7. Public Debt Stock
(Five-year annual average; in percent of GDP)



Sources: IMF, GFS database; and IEO calculations.

debt service to exports ratio, was significantly higher for prolonged users than for “temporary” users throughout 1975–2000.

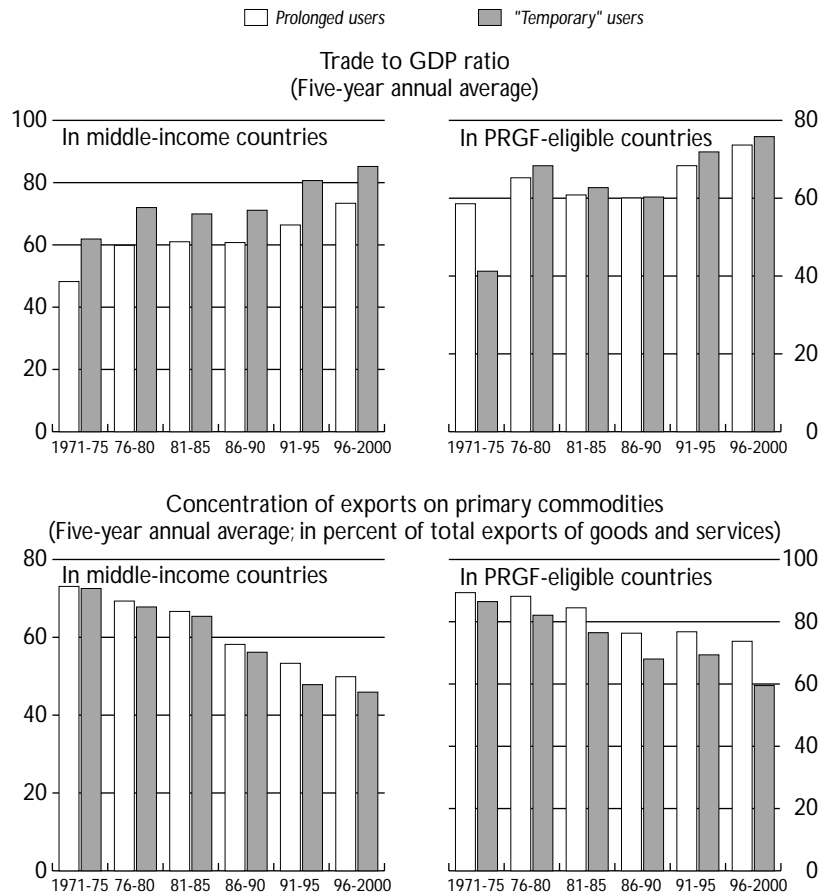
Political characteristics

The literature on the effectiveness of structural adjustment programs has emphasized the importance of political economy variables in determining the outcome of these programs.¹¹ It was not possible in the context of this project to collect data on the relevant variables over the entire period under review. However, based on the database used by Ivanova and others (2001),¹² there appear to be few consistent differences between prolonged and “temporary” users as far as political characteristics are concerned.

¹¹See, for instance, Ivanova and others (2001) or Dollar and Svensson (2000).

¹²This database covers the countries that entered into the approximately 170 arrangements with the IMF between 1992 and 1998.

Annex Figure 3.8. Trade Openness and Concentration



Sources: IMF, WEO database; and IEO calculations.

The one important exception is the measure of political instability, which appears to be higher among prolonged than among “temporary” users for both middle- and low-income countries.¹³ Prolonged users as a whole also appear to suffer from ethnic fractionalization to a greater extent than “temporary” users, but this is true only for middle-income countries.

¹³In contrast, measures of political cohesion and of quality of the bureaucracy suggest that prolonged users have a higher degree of political cohesion and a better bureaucracy than “temporary” users. Interestingly, the power of vested interests appears to be identical, on average, in all four country groupings.

Finally, while several authors have found a relationship between IMF-supported programs (related either to their presence or to their design) and the closeness of the relationship between the member country and the IMF’s major shareholders, the comparison between prolonged users and “temporary” users in terms of their closeness to G-7 countries found no major differences.¹⁴

¹⁴See for instance Bird and Rowlands (2001b), Thacker (1999), Barro and Lee (2002), and Ivanova and others (2001). The variable used here to test for the influence of proximity to G-7 countries was the share of G-7 bilateral aid.

ANNEX 4

Effects of Prolonged Use on Growth: Details of the Econometric Results

This annex provides details of the econometric results discussed in Chapter 5.

Based on empirical analysis of a panel data set spanning five five-year periods (1975–99) for 130 countries, Barro and Lee (2002) found that when they did not control for endogeneity, their results suggested that participation in IMF arrangements was associated with contemporaneously lower per capita growth. However, after controlling for endogeneity of participation in IMF arrangements and for other determinants of growth, IMF arrangements had no statistically significant contemporaneous impact on per capita GDP growth, but rather a lagged negative effect. The authors employed an instrumental variables approach to control for endogeneity of participation in IMF arrangements.¹ Specifically, they used the following as instruments for participation: (i) size of quota; (ii) political and economic proximity to IMF major shareholders (the United States, France, and the United Kingdom);² and (iii) national staff (economists) at the IMF.

For the purposes of this evaluation, one of the coauthors of Barro and Lee (2002), Professor Jong-Wha Lee, extended the analysis in that study to consider whether “prolonged use” has an effect on growth that is distinguishable from that associated with “temporary use.” The rest of this section reports on the findings of several exercises undertaken by Professor Lee, using panel data for 82 users of IMF resources (GRA and concessional) over five five-year periods (1975–79, 1980–84, 1985–89, 1990–94, and 1995–99). The determinants of long-

run per capita income growth used encompassed: (i) initial income; (ii) human resources (educational attainment, life expectancy, and fertility); (iii) investment rate; (iv) exogenous shocks (changes in the terms of trade); and (v) policy and institutional variables (government consumption, rule of law, openness, and inflation). Participation in IMF arrangements was measured by loan size.³

A first set of exercises estimated the effects of participation in IMF arrangements, without controlling for the endogeneity of such participation. The results suggested that after controlling for other determinants of growth, IMF arrangements were associated with lower growth contemporaneously and with a lag (equation 1, Annex Table 4.1). Incorporation of contemporaneous and lagged interactive terms to distinguish between “temporary” and prolonged participants in IMF arrangements yielded statistically significant coefficients on the interactive terms, suggesting significantly more adverse effects on growth for prolonged users than for “temporary” users (equation 2, Annex Table 4.1).⁴

A second set of exercises controlled for the endogeneity of participation in IMF arrangements, using the set of instrumental variables employed in Barro and Lee (2002). There was little difference in results when no distinction was made between prolonged and “temporary” users (compare equations 3 and 1 in Annex Table 4.1); the effects of IMF lending on growth were found to be still negative and signifi-

¹The authors argue that the generalized evaluation estimator approach, characterized by Haque and Khan (1998) as the “estimator of choice” for evaluating the effects of IMF-supported programs, does not adequately correct for selection bias (e.g., by reliance on fragile assumptions about the distribution of error terms for identification). They propose a set of political and institutional variables for use as instruments to control for the endogeneity of participation in IMF arrangements.

²Political proximity is measured by voting record at the United Nations, and economic proximity by the ratio of bilateral trade to GDP.

³In the broader sample used by Barro and Lee (2002), other measures such as program approval, or program participation (the fraction of time that a country operated under an IMF program during the five-year period) do not seem to have a significant impact on growth independently of loan size.

⁴The definition of “prolonged users” was the same as that used in the “dynamic” definition in Annex 3, section on “Econometric Evidence on the Characteristics of Prolonged Users.” An alternative approach to exploring distinctions between prolonged and “temporary” users would have been to separate the data into two samples and estimate separate regressions for each group. The sample size for prolonged users was too small to implement this approach.

Annex Table 4.1. Effects of “Prolonged Use” of IMF Programs on Economic Growth

Instruments for IMF loan	Actual values of IMF loan size		IMF quotas and staff, political and economic proximity to the United States and Europe	
	(1)	(2)	(3)	(4)
Log (per capita GDP)	-0.0271 (5.988)***	-0.0260 (6.037)***	-0.0269 (6.042)***	-0.0279 (6.469)***
Male upper-level schooling	0.0036 (1.875)*	0.0030 (1.653)*	0.0035 (1.877)*	0.0034 (1.896)*
Log (life expectancy)	0.036 (1.841)*	0.040 (2.148)**	0.042 (2.171)**	0.054 (2.807)***
Log (total fertility rate)	-0.0281 (4.372)***	-0.0300 (4.891)***	-0.0273 (4.300)***	-0.0303 (4.918)***
Investment/GDP	0.0001 (0.004)	0.0128 (0.406)	0.0084 (-0.260)	0.0122 (0.398)
Government consumption/GDP	-0.092 (3.528)***	-0.069 (2.735)***	-0.068 (2.655)***	-0.049 (2.057)**
Rule-of-law index	0.0111 (1.374)	0.0023 (0.300)	0.0130 (1.638)	0.0064 (0.822)
Openness measure	0.0136 (3.046)***	0.0149 (3.500)***	0.0141 (3.266)***	0.0159 (3.771)***
Inflation rate	-0.0212 (2.644)***	-0.0263 (3.641)***	-0.0191 (2.838)***	-0.0192 (3.406)***
Growth rate of terms of trade	0.069 (2.594)***	0.052 (1.998)**	0.072 (2.706)***	0.062 (2.410)**
Contemporaneous IMF loan	-0.185 (3.000)***	-0.183 (2.846)***	-0.178 (2.008)**	-0.071 (0.789)
Lagged IMF loan	-0.117 (1.715)*	0.099 (1.323)	-0.214 (2.027)**	0.074 (0.818)
Contemporaneous IMF loan* prolonged user	—	-0.328 (2.899)***	—	-0.390 (3.062)***
Lagged IMF loan* prolonged user	—	-0.528 (4.663)***	—	-0.517 (4.416)***
p-value				
(a)	0.002	0.011	0.007	0.536
(b)	—	0.000	—	0.000

Sources: IMF, WEO database; ICGR database; World Bank, WDR database; and IEO calculations.
*, **, and *** indicate significance at the 10 percent, 5 percent, and 1 percent levels, respectively.

cant.⁵ This result contrasts with the finding in Barro and Lee (2002) that after controlling for endogeneity of participation in IMF arrangements, the contemporaneous effect on growth becomes insignificant. A likely source of the difference in results is the difference in coverage of IMF arrangements, demonstrating the sensitivity of findings of such cross-country regression exercises to sample coverage and size.

⁵Barro and Lee (2002) considered only Stand-By (SBA) and Extended Fund Facility (EFF) arrangements, while the current exercise also includes arrangements under the IMF's concessional facilities (i.e., Structural Adjustment Facility (SAF), Enhanced Structural Adjustment Facility (ESAF), and Poverty Reduction and Growth Facility (PRGF) arrangements).

When a distinction was made between prolonged and “temporary” users, the main change in results was with respect to the estimated coefficient on the contemporaneous IMF loan size. The estimated coefficient was no longer significantly different from zero. The coefficients on lagged IMF lending and the interactive terms between IMF lending and the prolonged use dummy did not change much.

A third set of exercises examined whether the effects of IMF arrangements on growth differed between arrangements supported by general resources (i.e., SBAs and EFFs) and those supported by concessional resources (SAF/ESAF/PRGF). The results indicate significant differences (Annex Table 4.2). When the sample was limited to only SBAs and EFFs, strongly negative contemporaneous and

Annex Table 4.2. Alternative Specifications of Equation (4) in Annex Table 4.1

	SBA and EFFs (1)	SAFs, ESAFs, and PRGFs (2)
Contemporaneous IMF loan	0.043 (0.326)	-0.043 (0.415)
Lagged IMF loan	0.082 (0.888)	0.328 (1.116)
Contemporaneous IMF loan * prolonged user	-0.542 (3.250)***	-0.677 (1.913)*
Lagged IMF loan *	-0.584	0.853
Prolonged user	(4.761)***	(1.760)*
p-value		
(a)	0.856	0.497
(b)	0.000	0.086

Sources: IMF, WEO database; ICGR database; World Bank, WDR database; and IEO calculations.

Note: The estimation is based on the basic specification of equation (4) of Annex Table 4.1 with the specific change indicated in each column.

*, **, and *** indicate significance at the 10 percent, 5 percent, and 1 percent levels, respectively.

lagged effects on growth were found in prolonged users but not in “temporary” users. When only concessional facility arrangements were considered, there was a negative contemporaneous effect on growth which was more than offset by a positive lagged effect in prolonged users, and no significant effect on “temporary” users.

Sample size limitations imposed by available data constrained the scope of the exercises undertaken by Professor Lee. As noted above, the results from such cross-country regression exercises can be sensitive to changes in the composition and size of the sample being studied. Bearing in mind these inevitable limitations the main findings were:

- After controlling for endogeneity of participation in IMF arrangements, IMF lending was found to have negative effects on growth, over the contemporaneous as well as subsequent five-year period, in prolonged users.
- For “temporary” users, the effects on growth of contemporaneous and lagged IMF lending are statistically insignificant.
- The adverse consequences for growth of prolonged use appear to be concentrated in programs supported under general resources, and not in those under concessional facilities.

ANNEX 5

Questionnaire Sent to Authorities of Prolonged User Countries

To check how representative of the broader group of prolonged users the findings of the country case studies were, the IEO sent a questionnaire to the authorities of all the countries identified as prolonged users in this study, as listed in Chapter 2.

Responses were received from the following 21 countries: Bulgaria, Costa Rica, Egypt, Ghana, Jamaica, Jordan, the Kyrgyz Republic, Malawi, Mali, Mexico, Mongolia, Morocco, Nicaragua, Pakistan, Peru, the Philippines, Senegal, Tanzania, Turkey, Uganda, and Zambia.

A copy of the questionnaire is reproduced below. Most respondents indicated that they did not want to be quoted directly, but the thrust of the views expressed are reflected in the main report, especially in Chapter 5.

Overview

1. What is your general assessment of your country's relations with the IMF over the long term?
2. What do you see as the major factors that explain why your country made extended use of IMF resources? Could or should this have been avoided? What should the IMF have done differently? What has your country learnt from the experience of repeated programs?
3. To what extent were IMF-supported programs for your country motivated by the need for a "seal of approval" in order to mobilize funds from other sources, rather than a need for IMF financing, *per se*? Would it have been feasible or preferable to provide such a "seal of approval" in some other way?

Program formulation and negotiation

4. Did the IMF pay sufficient attention to the concerns of the authorities and other groups in the formulation and negotiation of programs? Were any disagreements on policies generally concerned with their substance, or on the pace and sequencing of measures or to potential difficulties in implementing programs?

5. Was the IMF realistic about the political and social environment of programs and the constraints involved?
6. How did the IMF's prolonged involvement affect the development of economic institutions—including those involved in policy formulation and technical analysis—in the country?

Program design

7. What, in your view, were the major strengths and weaknesses in the design of IMF-supported programs? Were IMF-supported programs too ambitious or overoptimistic? Did IMF-supported programs have an appropriate time-horizon? Did they pay sufficient attention to debt sustainability issues? Did programs make sufficient allowance for exogenous shocks?
8. Did IMF-supported programs put the emphasis on the right structural reforms and prioritize appropriately? Was there an appropriate division of labor between IMF and the World Bank with regard to structural reform?
9. Did the IMF learn from experience in designing successive programs?

Post-program experience

10. In those cases where countries no longer use IMF resources, has the internal political dynamic altered since there has been no lending arrangement? Has the process of policy-making and related technical analysis process altered?
11. For those countries that have made repeated use of precautionary arrangements, what are the main reasons for such an approach? What advantages do you see for a precautionary lending arrangement over regular IMF surveillance?
12. Are there any other issues you would like to bring to our attention?

ANNEX 6

Data on Staff Inputs and Staff Turnover in Prolonged and “Temporary” Users

This annex provides additional information to support the discussion in Chapter 5, section on “Results from Cross-Sectional Evidence.”

Annex Table 6.1 provides details of the extent of staff inputs, as measured by the number of missions and mission days, in program countries. The results indicate such inputs were actually higher for “temporary” users. The difference is particularly marked for ESAF arrangements, which involved on average 51 mission days (41 percent) more for “temporary” users than for prolonged users. Likewise, the total staff resources invested by the IMF in programs with prolonged users were, on average, smaller than in “temporary” users’ programs: in both ESAF and GRA

arrangements, the IMF’s effort, measured by the personnel costs of its UFR and TA missions, was over 40 percent higher in programs with “temporary” users.

Excessive turnover of mission chiefs appears to be a problem for many program countries, but has not been worse among the prolonged users (Annex Table 6.2).

As regards mission team staffing, continuity has also been low across all country groups—in most cases, less than half of mission members were involved in the same country in the two previous years—but it has been slightly better in prolonged user countries than in “temporary” user countries (Annex Table 6.3).

Annex Table 6.1. Data on IMF Effort¹

	Number of mission days		Number of missions		Administrative costs (In millions of U.S. dollars)	
	During program	Including three months before program approval	During program	Including three months before program approval	During program	Including three months before program approval
All arrangements						
Prolonged users	126	144	9	11	1.5	1.6
Nonprolonged users	163	186	12	14	1.9	2.1
ESAF arrangements						
Prolonged users	122	140	9	10	1.5	1.7
Nonprolonged users	173	189	14	15	2.2	2.5
GRA arrangements						
Prolonged users	117	138	9	10	1.2	1.4
Nonprolonged users	160	185	12	14	1.7	2.0

Source: Ivanova and others (2001).

¹In this table, data on the number of missions and mission days do not take account of the size of missions.

Annex Table 6.2. Mission Chiefs Per Member Country, FY1996–2001

	No UFR	TU/PRGF	TU/GRA	PU/PRGF	PU/GRA
	(Number of mission chiefs)				
Mission chiefs per member country					
Average	3.4	4.2	4.1	3.9	4.2
High	6	7	10	7	8
Low	1	2	2	2	1
Share of member countries with five or more mission chiefs during six-year period (in percent)	13	34	32	19	31

Source: Internal data compiled by the IMF's Office of Internal Audit and Inspection at the IEO's request, based on data collected for its review of mission organization and management.

Annex Table 6.3. Mission Staff Continuity, FY1996–2001

(In percent of total mission staffing)

	Current fiscal year area department staff active in prior two fiscal years				Current fiscal year FAD staff active in prior two fiscal years				Current fiscal year PDR staff active in prior two fiscal years			
	1998	1999	2000	2001	1998	1999	2000	2001	1998	1999	2000	2001
No UFR	41	46	39	40	0	0	25	20	33	0	67	33
TU / PRGF	47	44	39	42	31	40	33	39	36	46	48	28
PU / PRGF	52	55	48	47	47	42	41	39	23	32	40	41
TU / GRA	50	43	51	45	47	40	47	40	25	40	40	42
PU / GRA	49	52	59	55	50	33	50	57	23	36	50	36
All countries	48	47	47	45	43	38	41	41	27	38	45	36

Source: Internal data compiled by the IMF's Office of Internal Audit and Inspection at the IEO's request, based on data collected for its review of mission organization and management.

Note: FAD: Fiscal Affairs Department; PDR: Policy Development and Review Department.