

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.

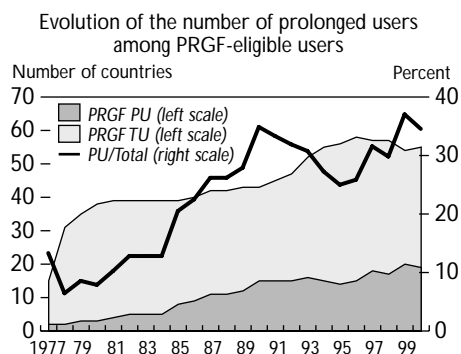
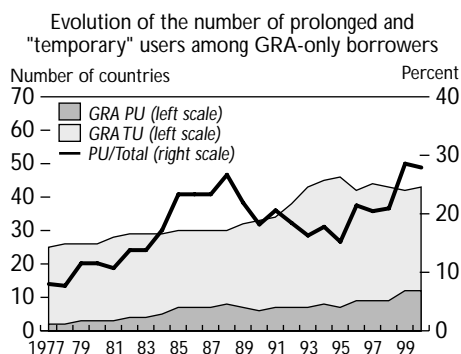
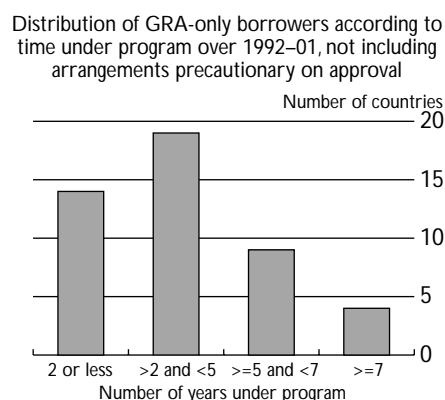
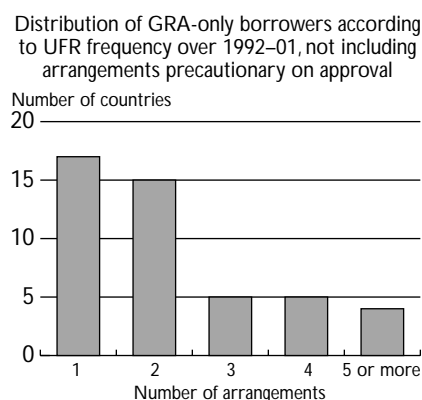
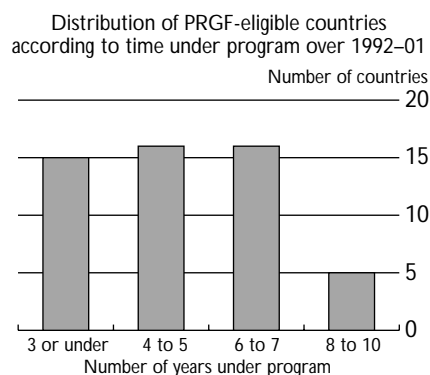
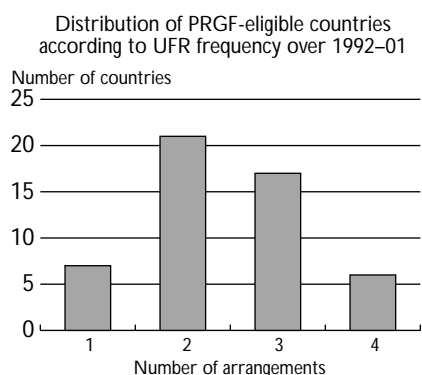
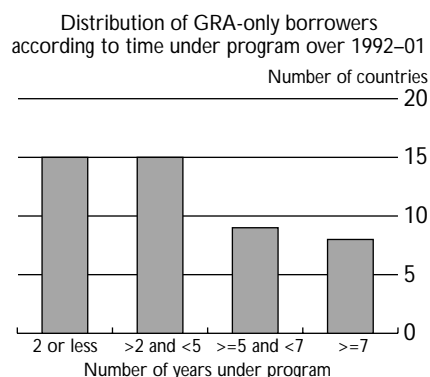
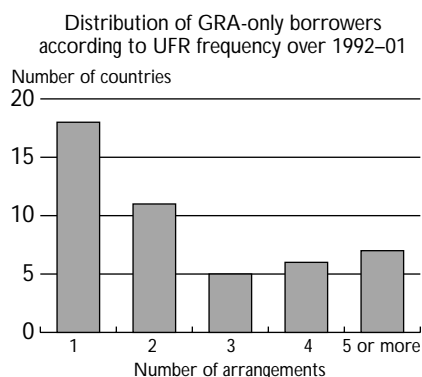
⁴Countries whose bond spreads are tracked by J.P. Morgan’s “EMBI Global” Index.

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-

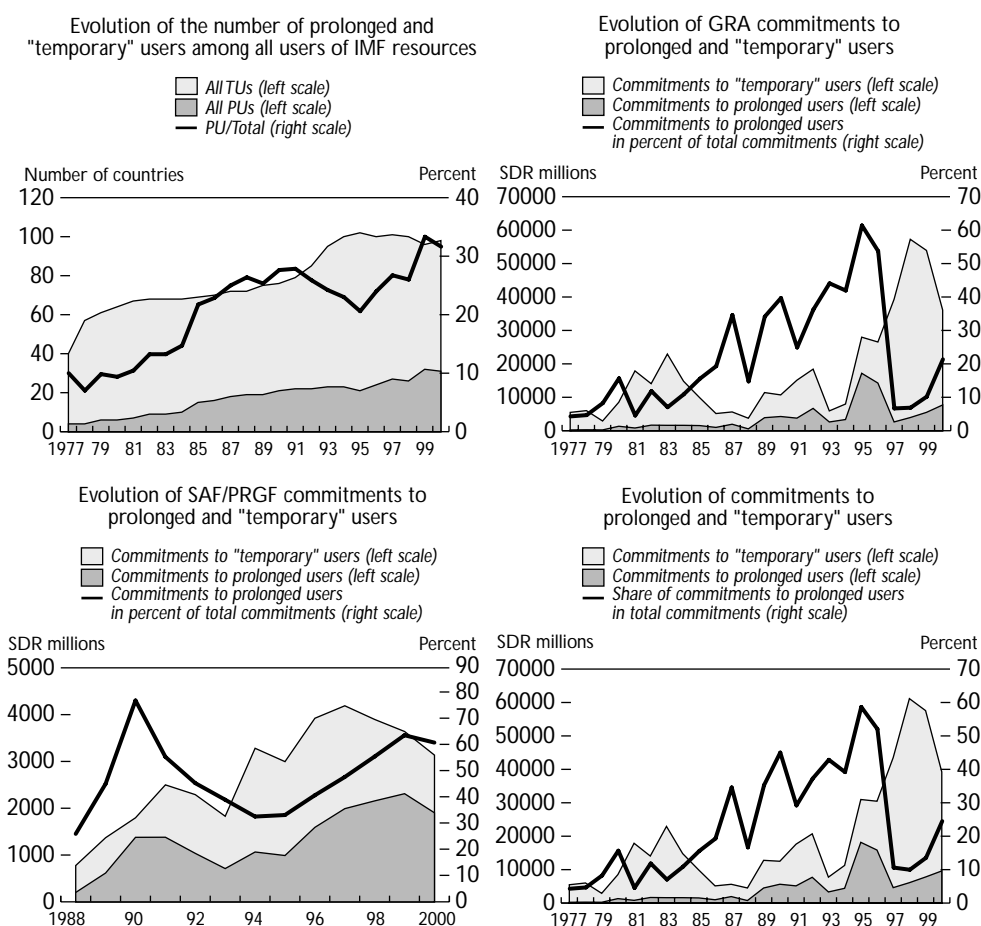
quately addressed up front. In practice, however, it is not possible to make such a clear-cut distinction: all such countries appear to have experienced interludes when their external position improved, followed by renewed difficulties.

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.