

Exploraciones/Explorations

The Future of the IMF: A Latin American Perspective

*Maritza Cabezas*¹

If we closely follow the debate that is taking place in international fora and on the IMF premises, we could say that the IMF is currently under construction. The Fund is seeking renewed legitimacy in a world that has changed significantly since it was created during the 1944 Bretton Woods Conference. The past years of strong performance of the world's economy and apparent monetary stability have given more significance to the discussions around the future role of the IMF. In 2007, however, the turbulence in financial markets has again reminded us that the large disruptions which threaten the global economy cannot be discarded, and that the IMF's role in supporting the stability of the international financial system is still relevant. In this context, it may be interesting to take stock of the IMF's relation with Latin America in order to contribute to the debate on the IMF's future strategy from a regional perspective.

For the past 25 years, Latin America has been a recurrent user of IMF lending facilities. Debt and financial crises in Latin America have marked both the developments of the region and of the IMF itself. More recently, Latin America's relation with the IMF has entered a new phase. At the beginning of 2006, which was earlier than expected, Brazil and Argentina repaid their obligations to the IMF. As a consequence, the Institution lost two of its biggest borrowers. Uruguay later followed the same steps. Bolivia, a low-income country, has recently suspended its stand-by arrangement with the IMF as a result of higher commodity prices and an improved external position. The president of Venezuela, Hugo Chavez, has gone so far as to say that he wants to formally take Venezuela out of the IMF. These decisions and initiatives, as explained by the countries themselves, have been triggered by a desire to follow more autonomous economic policies. This leads us to the following three-part question: Is a 'mild' reform of the IMF sufficient, are more radical reforms required to meet Latin America's future challenges, or is the IMF no longer relevant to the region?

This article focuses on one of the most recent initiatives to reform the IMF: the Medium Term-Strategy launched by the IMF. Latin America's experience with IMF lending facilities and the unique characteristics of the region provide the basis for the evaluation of the strategy and the role of the IMF.

The current stance of the IMF

The IMF has evolved considerably since it was founded to administer the international monetary system. It has broadened its tasks to exercise surveillance, periodic

consultations to its member countries, economic analysis, research, policy advice, technical assistance and lending subject to conditionality (Vines and Gilbert 2006, p. 13). It appears that this evolution has not been sufficient, since recent calls for reforms have been numerous (Meltzer 2000, Stiglitz 2003, Woods 2006, King 2006). A common observation of these critics is that the IMF should move away from development finance and focus more on crisis prevention. They suggest that the structure of representation (governance) could be an impediment to exercising its function as international coordinator and promoter of international monetary stability.

At the moment, the debate about the IMF reform is taking place against a background of economic growth that has been beneficial to most countries, in particular to the emerging economies. Many emerging countries have paid off their debts to the IMF and have accumulated foreign exchange reserves as protection against future difficulties. Consequently, the IMF has had to redefine its income strategy, since it can no longer rely for its income on its role as international lender (Crockett 2007). The debate about the future of the IMF is also taking place in an international context where global imbalances are expanding. On the one side, the United States has a large current account deficit (6.5 per cent of GDP in 2006), high fiscal liabilities and low savings (IMF March 2007). The U.S. has been acting as an export market for emerging economies that have been strengthening their foreign exchange reserve position with additional export revenues. On the other side, China and the oil-producing countries have been financing the U.S.'s current account deficit with the reserves they have accumulated. The risk lies in the sustainability of the financing of the U.S.'s current account deficit, as the surplus countries could move abruptly away from the dollar as their investment currency (Eichengreen 2006, Roubini and Sester 2005). These developments suggest that risks have not disappeared despite overall improvements in economic conditions and that global imbalances should be corrected in a coordinated way.

The IMF recently initiated multilateral consultations on global imbalances where countries have started to show signs of commitment to correct this situation (IMF April 2007). Preventing a disorderly adjustment of the global imbalances is seen as a new role for the IMF (Rogoff 2006, Tanzi 2006). A limitation to these multilateral consultations is that only five important players are taking part (the U.S., China, the Euro area, Saudi Arabia and Japan). Obviously, success in this coordination will depend on the moral suasion that the Fund can exert on the U.S. (who has a central role in this process), on large oil exporters and on countries like China, whose decisions are crucial in unwinding the imbalances.

What has the IMF meant for Latin America? A funding point of view

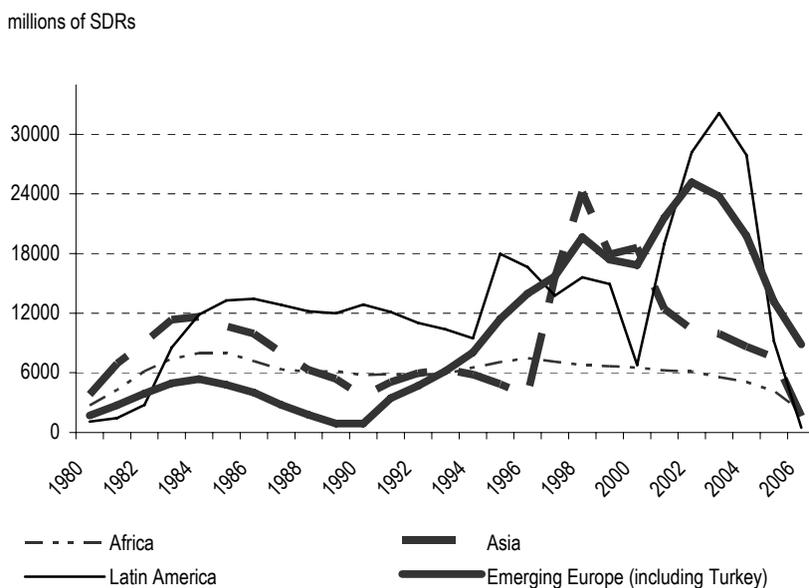
The Fund's relation with Latin America can be studied from different perspectives. One approach is to study its financial arrangements through its coordinating role in stimulating additional financing from other creditors and as first line crisis manager in providing extraordinary amounts of financing to avoid the spillover effects of a crisis to other countries. Another approach is to assess the choices of policies and reforms in IMF sponsored programmes and their redistribution outcomes. The former approach brings new insights into the debate and the literature, because the latter approach that focuses on the policy outcome has already been extensively

evaluated by the literature (Vreeland 2007; Hutchison and Noy 2004; IMF Independent Evaluation Office 2002, 2003, 2004; ISS 2004, 2005, 2006; Stiglitz 2003; Mussa 2002). The first approach is also more relevant in the present context where the IMF Medium-Term Strategy and new lending facilities are being discussed.

Latin America has been a frequent and long-term user of Fund facilities, and due to the diversity of the countries in the region, its experience with IMF funding is broad. Indeed, the co-existence of low and middle-income countries in Latin America with IMF supported programmes provides an interesting opportunity to observe how the IMF has responded to the changing needs of the region. Moreover, Latin American countries have been recurrently accessing IMF facilities, and at certain times they have been prime users of these resources (Graph 1), accounting for more than 40 per cent of total Fund credit (IMF March 2007). This is not surprising, since between 1995 and 2003, crises erupted in Mexico, Brazil, Ecuador, Argentina, Uruguay, Paraguay and Venezuela.

Latin America has primarily used two IMF lending facilities: Stand-by arrangements and the Poverty Reduction and Growth Facility (PRGF) (see Annex at end). The IMF has commonly provided Stand-by Arrangements to support Latin American countries with balance of payments problems. Such arrangements have a short to medium-term duration (up to three years). Although longer-term facilities are available, Latin American countries and other regions have been less inclined to access Extended Fund facilities, since these imply more fundamental economic restructuring as part of the conditionality. The question that can be raised is whether the recurrent use of Stand-by Arrangements by some Latin American countries is an indication that this may not have been the most appropriate choice of lending facility to face the problems of the region. The PRGF remains the IMF's main instrument for assisting low-income countries. PRGF supported programmes are framed around a comprehensive Poverty Reduction Strategy. Latin American low-income countries have made very modest use of the PRGF facility, although Bolivia, Dominican Republic, Guyana, Haiti, Honduras and Nicaragua are eligible for PRGF (IMF April 2006). Until recently, only Nicaragua and Honduras had ongoing PRGF programmes. PRGFs were thought to be a more suitable way of 'doing business' with low-income countries, because in principle they offer more support in enforcing social goals. However, they have been somewhat less of a success. PRGFs must be embedded in an overall poverty reduction and growth strategy. This has made more evident the limited clarity regarding the coordination between the World Bank, the IMF and donors and what each should be delivering and has raised questions regarding the cross-conditionality that is attached to poverty reduction programmes (Institute of Social Studies 2003, 2005, 2006).

Besides its lending arrangements, the IMF has developed different strategies to support countries in their external debt management and crisis management. The IMF has been active in supporting debt reduction initiatives and it has coordinated large packages of financing that would restore the credibility of countries in a crisis or on the verge of a crisis. In fact, after the debt moratorium of Mexico in 1982, the IMF and World Bank supported debt reduction initiatives, such as the Baker and Brady Plans, by making more financial support available for countries that enrolled in these Plans. Creditors were willing to enrol in these debt reduction initiatives since the IMF gave the seal of approval to programmes that included policy

Graph 1: IMF total fund credit and loans

1 SDR ~ 1.5 USD (January 2008)

Source: IMF.

reforms and structural measures to stabilize the economy (Tanzi 2006). There is a general consensus that the IMF played a pivotal role in avoiding a breakdown of public debt payments. However, there is less consensus on the effectiveness and timing of the adjustment policies that accompanied the IMF financial facilities at that time (Vreeland 2007, 107-134; Theberge 1999).

Later in 1994 with the so called 'peso crisis' in Mexico, the IMF coordinated financial support that was different from the traditional arrangements. Mexico was requested to undertake a strong adjustment programme designed in consultation with the IMF. What was exceptional about the IMF strategy was that Mexico obtained a large international financial package to support the programme, which included new credit lines from the IMF, the Bank for International Settlements, the U.S. and Canada. The financing package needed to be large enough to save the financial system and to give a clear message to capital markets that there was enough liquidity to avoid a crisis. The IMF's arrangement for Mexico was the largest ever approved for any member country until that date, both in absolute amount and in relation to the member's quota in the Fund (IMF March 2006). However, the macroeconomic developments proved that the IMF had limited insight into Mexico despite its surveillance. Mexico was under IMF surveillance in the forefront of the crisis. The IMF responded by requesting more transparency through the introduction of standards that allowed a more systematic dissemination of information from IMF member countries. There is consensus that the IMF has an important task in publishing statistics of its member countries, which is an impor-

tant input in its surveillance activities (Vreeland 2007).

Finally, the IMF in its role as lender of last resort has consequently been tested by the region as a result of the subsequent crises. The IMF's role in Argentina between 2000 and 2003 was a clear stress test for the Fund's flexibility in managing a country in crisis and its role remains controversial until today. The financial package, or 'shield' as it was called in Argentina, provided access to financing well above the established limits. The role of the IMF in Argentina merited special attention because, compared to other countries, Argentina had been engaged in an IMF supported programme for a longer time span. The Argentinean crisis ultimately proved to be an isolated event, but the question remains whether this outcome was due to the role of the IMF, the government's policy, or to a conscious response from the markets (IMF March 2006).

Is the IMF still relevant for the region?

Currently no Latin American country has an IMF supported programme. Furthermore, the region is proposing initiatives that could move it still further from the scope of the IMF, such as the creation of a regional financial institution, Banco del Sur, to which several Latin American countries have already adhered. Another new player, China, has recently been funding projects in developing countries, mainly energy related, without pre-conditions as has been the rule between multilateral financial institutions. The question is whether funding alternatives between countries in the region would be stable enough to be a substitute for the IMF lending facilities, particularly in a downturn of the economic cycle. This may not be the case, since export revenues are commodity related, and they have been traditionally volatile. Furthermore, several countries in the region are dependent on the same commodity – oil – for their revenues, and a commodity shock could affect several countries simultaneously (Cabezas 2006), bringing more instability to the funding. Therefore, it seems fundamental that in this context the region should make the necessary decisions to sustain its economic expansion. This would imply that these countries should give more attention to income distribution and growth sustainability.

In any case, Latin America could benefit from the role of the IMF as international coordinator in a context of global imbalances and eventually from the Fund as lender of last resort should these imbalances come with abrupt adjustments. However, it may be important to emphasize that the changes that are taking place in the region could effectively require a different surveillance framework for the IMF to fulfil these tasks:

- o Firstly, surplus countries in the region have been able to build up their own 'insurance' by accumulating international reserves. In 2006, Latin America managed to accumulate more than 300 per cent of their short term debt in foreign exchange reserves and more than six times its imports (IMF April 2007b). All things constant, the reliance on IMF financing for balance of payments needs could become an issue of the past.
- o Secondly, the IMF was the seal of approval for official and private lending to governments. The IMF orchestrated loans to countries with balance of pay-

ments problems by conditioning the financing to policy outcomes, making creditors and donors more confident to lend when an IMF sponsored programme was in place. However, governments have gradually been losing their role as net borrowers of foreign funding. There has been an increase in foreign capital flows to finance investments in the private sector. Net foreign direct investment to the region was almost 2 per cent of GDP in 2006, while net official borrowing was almost inexistent in that same year (IMF April 2007). This limits the IMF's coordinating role for funding to governments, subject to conditionality.

- o Thirdly, crises in the past have been closely associated with public debt problems where the IMF has had an active role. In general, most countries in the region have been actively restructuring and reducing their debt levels. If countries continue to take advantage of the stronger balance of payments position to reduce their debt, the IMF will have less need to head debt sustainability strategies.
- o Finally, remittances have become a major source of funding for several countries in the region. In Central America, remittances amount to 10 per cent of GDP and constitute the main source of capital flows. This type of transfer is difficult to coordinate as it responds to a wide range of policies in the sending and receiving countries. A thorough surveillance should not neglect the impact of remittances in the economy.

The Medium-Term Strategy of the IMF: Is it sufficient for Latin America or are more radical changes in the IMF required?

The future of the IMF is still open to debate. A difference from past discussions is that on this occasion the calls for reform are coming from countries that have not been debtors to the IMF. The Medium Term Strategy of the IMF was launched by the Managing Director in September 2005. It comprises relevant issues for developing countries such as: 1) planning new directions and focus in surveillance; 2) proposing a credit line that provides ample liquidity for emerging countries with sound macroeconomic performance and a good track record; 3) establishing a consistent approach when exiting from Fund support; 4) framing surveillance responsibilities and policy toward countries under debt restructuring; 5) providing a new quota formula to enhance the representation of developing countries; and, 6) organizing a more effective engagement in low-income countries.

It is obvious that Latin American countries have specific interests in all these points. Moreover, since global imbalances persist and their disorderly adjustment cannot be ruled out, the role of the IMF in crisis prevention and management continues to be relevant. However, the changes in the world economy and the developments in the region call for more than a 'mild' approach towards reforming the Institution:

- o Firstly, approaching country surveillance through a broader perspective seems relevant by complementing it with regional and multilateral surveillance. At the regional level, Latin America could benefit considerably if surveillance was complemented with regional evaluations, focusing on identifying common and cross-border vulnerabilities. This could bring to the surface the bottlenecks and spillover effects from intraregional trade and capital flows, which could be par-

ticularly interesting for the region. Latin America has a lower trade integration than other regions. Around 17 per cent of total trade is intraregional, compared to 30 per cent in Asia and 60 per cent in Europe (IMF March 2007).

- o Secondly, on country representation, in September 2006 the initiative to introduce an ad hoc increase in quotas (each country's quota determines its voting rights) for China, Korea, Mexico and Turkey from a country perspective has been considered positive and is in fact supported by more than 90 per cent of IMF members. However, the opposition to the proposal led by Brazil and Argentina indicates that this ad hoc increase in quotas is not necessarily seen as an improvement in terms of representation from a regional perspective. Furthermore, the proposal to increase the number of basic votes and to avoid the erosion of voting power of low-income countries is of interest to the Fund as a multilateral institution as well as for the countries in question, since appropriate representation could be a way to enhance programme ownership. Another complex issue is the nomination of the managing director, the leading representative of the IMF. There is an informal agreement that the IMF Managing Director should be a European nomination. However, as developing countries gain more economic weight there has been a growing discussion around the possibility of nominating a representative from a developing country. This is an issue to include in the debate about the governance of the IMF.
- o Thirdly, another issue that has not been included in the current agenda is the role of the IMF to ensure that protectionist pressures do not expand. There are strong indications that a protectionist backlash has emerged because of the global imbalances. The U.S. congress has proposed a global anti-dumping action against China for maintaining what is seen as a fundamentally appreciated exchange rate (U.S. Senate 2007). This is clearly not a trade dispute, but a global issue since the current account surpluses are spread more widely across countries (developing countries) than being centred solely on China, whereas the deficit is increasingly concentrated on the U.S.
- o Fourthly, the IMF as supporter of international financial stability has to enforce its role in reducing vulnerabilities in financial sectors and capital markets. The recent problems in international financial markets, which find their origin in the U.S. mortgage market, have made evident that in a globalized economy, the improvement in fundamentals of developing countries does not isolate them from spill-over effects that arise from disruptions in mature markets.
- o Finally, the IMF's involvement in poverty reduction strategies implies establishing clearer responsibilities between the IMF and the World Bank. A report from an expert committee led by the former Minister of Finance from Brazil (Malan 2007) suggests that the collaboration between the World Bank and the IMF has been seriously wanting and the IMF has become too involved in development issues without defining clearly the role of the IMF in low-income countries. Evidence from Latin America with the PRGF, the financing facility for low-income countries in the context of Poverty Reductions Strategies, shows that they did not produce the expected results (Cabezas and Vos 2006).

Conclusions

Both Latin America's past experiences and future challenges call for a radical reform of the IMF. The IMF's lending facilities extended to the region were not able to support macroeconomic programmes that could avoid countries falling into a crisis, but they appear to have contributed to shortening the duration of the crisis and in some cases avoiding further contagion. In the case of low-income countries in the region, there is evidence that IMF's lending for poverty reduction has not had the desired outcome. Consequently, in defining the priorities of the IMF's Medium-Term Strategy, the Fund has a role to play as crisis manager and lender of last resort. However, more clarity about how to support low-income countries is welcome. The role of the IMF as liquidity provider is not exclusive to any regional initiative to create a fund. On the contrary, during difficult times more diversification in the sources of funding is desirable.

Global imbalances give renewed legitimacy to the role of the IMF as international coordinator, but there is evidence that representation or voice of its member countries should be revised to give the institution more strength as a multilateral surveillance institution. The Latin American experience also demonstrates that the IMF surveillance framework should be adapted to include the changes that have taken place in the region. Governments are no longer the main borrowers, and private capital flows and remittances have become more dominant. Additionally, surveillance should not only point to domestic vulnerabilities, but should also focus on the systemic and spillover effects of risks at regional and global levels. This has become more relevant with the growing inter-linkages in the world economy and the surge of protectionist pressures and larger global imbalances, which place high demands on an institution such as the IMF capable of leading an international coordination process.

* * *

Maritza Cabezas, M. Sc. in Development Economics and in Public Finance, is working at De Nederlandsche Bank in the Financial Stability Division. At the time of writing this article she was responsible for emerging markets and IMF related issues, and currently monitors the global and Dutch banking systems. Previously she worked at the Institute of Social Studies and at the Central Bank of Ecuador in the monitoring and assessment of IMF programmes.

<M.Cabezas.Ludena@DNB.NL>

Note

1. The views expressed are those of the author and do not necessarily reflect the position of De Nederlandsche Bank.

Bibliography

- Cabezas, M. (2006) 'Olie van bodemschat tot grondstofvloek', *Economische en Statistische Berichten* (ESB), jaargang 91.
- Cabezas, M., and R. Vos (2006) *Illusions and Disillusions with Pro-poor Growth*. Stockholm: Sida.
- Crockett, A. (2007) 'Committee to Study the Long-term Financing of the IMF', Report commissioned

- by the Managing Director of the IMF.
- Eichengreen, B. (2006) *Global Imbalances and the Lessons of Bretton Woods*. Cambridge, MA: MIT Press
- Hutchison, M. M., and I. Noy (2003) 'Macroeconomic effects of IMF-sponsored programs in Latin America: output costs, program recidivism and the vicious cycle of failed stabilizations', *Journal of International Money and Finance*, Elsevier, Vol. 22(7), pages 991-1014, December.
- IMF (2006) 'The Managing Director's Report on Implementing the Fund's Medium-Term Strategy', SM/06/112, 17 March.
- (March 2006) 'The role of IMF Support and Crisis Prevention', Working Paper 06/75.
- (May 2006) 'Executive Board Reviews Funds Income Position and Sets Rate of Charge for FY 2007', Press Release <http://www.imf.org/external/np/sec/pr/2006/pr0690.htm>.
- (March 2007) *International Financial Statistics*, Washington D.C.
- (April 2006) 'Report on Access to Fund Resources during 2005', Policy Development and Review and Finance Departments, <http://www.imf.org/external/np/pp/eng/2006/042006a.pdf>.
- (April 2007a) 'The Multilateral Consultation on Global Imbalances', *Issues Brief* 07/03, <http://www.imf.org/external/np/exr/ib/2007/041807.pdf>.
- (April 2007b) 'Regional Economic Outlook, Western Hemisphere', <http://www.imf.org/external/pubs/ft/reo/2007/WH/ENG/wreo0407.pdf>.
- IMF Independent Evaluation Office (2004) 'The IMF and Argentina 1991-2001', <http://www.imf.org/External/NP/ieo/2004/arg/eng/pdf/report.pdf>.
- Institute of International Finance (May 2007) 'Capital Flows to Emerging Market Economies', *Periodic Reports*, <http://www.iif.com>.
- Institute of Social Studies (2003) 'Can Poverty Be Reduced? Experiences with Poverty Reduction Strategies in Latin America', *2003 Regional Report*, Project Commissioned by the Swedish International Development Corporation Agency, <http://www.iss.nl/content/download/9251/87821/file/2003%20Regional%20Report.pdf>.
- (2004) 'Illusions and Disillusions with Pro Poor Growth', *2004 Regional Report*, Project Commissioned by the Swedish International Development Corporation Agency, <http://www.iss.nl/content/download/9244/87787/file/2004%20Regional%20Report.pdf>.
- (2005) 'Budgeting for Poverty, Evaluation of Poverty Reduction Strategies in Latin America', *2005 Regional Report*, Project Commissioned by the Swedish International Development Corporation Agency, <http://www.iss.nl/content/download/9240/87775/file/2005%20Regional%20Report.pdf>.
- King, M. (2006) 'Reform of the International Monetary Fund', Speech presented at the Council for Research on International Economic Relations, India, <http://www.bankofengland.co.uk/publications/speeches/2006/speech267.pdf>.
- Malan P. (2007) 'Report on the External Review Committee on Bank-Fund Collaboration', <http://www.imf.org/external/np/pp/eng/2007/022307.pdf>.
- Meltzer A. (2000) 'Report of the International Financial Institution Advisory Commission for the US Congress', <http://www.house.gov/jec/imf/meltzer.pdf>.
- Rogoff K. (September 2002) 'Moral Hazard in IMF Loans, How Big a Concern?', *Finance and Development*, IMF publication, <http://www.imf.org/external/pubs/ft/fandd/2002/09/rogoff.htm>.
- (September 2006) 'Can the IMF Avert a Global Meltdown?', *Japan Times*, 7 September, <http://search.japantimes.co.jp/cgi-bin/ea20060907a2.html>.
- Roubini, N., and B. Setser (2005) Will the Bretton Woods II Regime Unravel Soon? The Risk of a Hard Landing 2005-2006, Paper presented at the 'Symposium on the revived "Bretton Wood System": A new Paradigm for Asian Development', Federal Reserve Bank of San Francisco, <http://www.frbsf.org/economics/conferences/0502/Roubini.pdf>.
- Stiglitz, J. (2003) *Globalization and its Discontents*. New York: Norton.
- Tanzi, V. (2006) Global Imbalances and Fund Surveillance, paper presented at the G-24 Meeting in Geneva, 16 March 2006, <http://www.g24.org/tanz0306.pdf>.
- Theberge, A. (1999) 'The Latin American Debt Crisis of the 1980s and its Historical Precursors', Columbia University, <http://www.columbia.edu/~ad245/theberge.pdf>.
- U.S. Senate Committee on Finance (2007) 'The Currency Exchange Rate Oversight Reform Act', <http://www.govtrack.us/congress/billtext.xpd?bill=h110-2942>.
- Vines, D., and C. Gilbert (2004) 'The IMF and the International Financial Architecture: Solvency and Liquidity'. In: C. Gilbert and D. Vines (eds) *The IMF and its Critics: Reform of Global Financial Architecture*. Cambridge, UK: Cambridge University Press, pp. 11-13.

Vreeland, J. (2007) *The IMF and Economic Development*. Cambridge, UK: Cambridge University Press.
 Woods, N. (April 2006) 'The Globalizers in Search of a Future: Four Reasons Why the IMF and World Bank must Change, and Four Ways They Can', *CGD Brief*, Centre for Global Development, Washington, D.C., <http://www.globaleconomicgovernance.org/docs/CGDEV%20BRIEF%20Woods.pdf>.

Annex. Latin America: Access and exceptional access to Fund facilities 1995-2005

Fund Facility	Objective	L. A. countries under facility / total number of countries under facility
Exceptional access to Stand-by Arrangement ¹	The SBA, established in 1950, is designed to help countries address short-term balance-of-payments problems. It is the facility that provides the greatest amount of IMF resources. The duration is up to three years.	12/21
Of which, Supplemental Reserve Facility	This facility was introduced in 1997 to meet a need for very short-term financing on a large scale. The motivation for the SRF was the sudden loss of market confidence experienced by emerging market economies in the 1990s, which led to massive outflows of capital and required financing on a much larger scale than what the IMF had previously been asked to provide.	8/12
Extended Fund Facility ¹	This facility was established in 1974 to help countries address more protracted balance-of-payments problems requiring fundamental reforms to the structure of the economy. Its duration is longer than a Stand-by Arrangement (up to seven years)	0/5
Poverty Reduction Growth Facility	In 1999, the IMF established the PRGF to make poverty reduction and growth more central to the Fund's lending operations in its poorest member countries. PRGFs are framed around Poverty Reduction Strategies, which is a framework developed by both the IMF and World Bank to make the programmes that support these countries more comprehensive, participatory and country-owned. Financing is co-sponsored by bilateral donors.	5/29 ²
Emergency assistance	Provides policy support and financial assistance to low-income countries facing exogenous shocks. It is available to countries eligible for the Poverty Reduction and Growth Facility (PRGF) – the IMF's main instrument for financial assistance to low-income countries – but that do not have a PRGF programme in place.	2/11

¹ Any lending that is above 100 per cent of quota or above 300 per cent of quota cumulative.

² Six countries are eligible for the PRGF. However, in 2005 only two Latin American low-income countries had a PRGF Arrangement.
 Source: IMF April 2006 and author's calculations.