

Testimony to the Committee on Banking,
Housing, and Urban Affairs

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Mr. Chairman. I am grateful for the opportunity to testify before the Senate Banking Committee this afternoon, on the important issue of Western Assistance to Russian Economic Reforms. Specifically, I will focus my brief comments on the issue of the International Monetary Fund. In recent weeks, I have been very critical of IMF procedures vis-a-vis Russia. I continue to believe that the IMF approach has been unhelpful for the very goals that the IMF is trying to pursue in Russia: low inflation and macroeconomic stability. I would like to take this opportunity to explain my position, and to make suggestions about an improved Western approach to assisting Russia in its economic reforms.

Along with the IMF, I believe that reducing Russian inflation is the most pressing policy issue facing the Russian Government. In my opinion, high inflation in Russia could lead to profound social and political instability, and could even undermine the fragile democratic structures in Russia, thereby posing significant risks to global security. John Maynard Keynes said it best in 1919 in the Economic Consequences of the Peace:

There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose.

The debate with the IMF is therefore not about goals, but about means to achieve those goals. I do not seek to weaken IMF conditionality vis-a-vis inflation, but rather to raise the chance that it can be successful. I would

change the timing and character of aid to Russia to have a better chance of succeeding in reaching low inflation. To understand my differences with the IMF, it is necessary to put the debate in formal economic terms. I apologize for the technicalities that follow, but they are necessary to lay out my argument. Otherwise, my critique of IMF practices will continue to be misunderstood as an attack on the goal of low inflation itself.

Basic analytics of monetary stabilization

The basic cause of high inflation in Russia is rapid growth of the money supply. To put matters in the simplest analytical form (which is a simplified version of the "financial programming" approach used by the IMF), the rate of monthly price inflation is equal to the rate of growth of the money supply:¹

$$(1) \Delta P/P = \Delta M/M$$

In turn, the rate of growth of the money supply is closely linked to the budget deficit. Let D be the level of the budget deficit, expressed in rubles. Let Y be the level of GDP, expressed in rubles. Let d be the ratio of the deficit to GDP. Thus:

$$(2) D = d * Y$$

There are three ways to finance the budget deficit. The government can: (1) borrow from the central bank, (2) borrow from abroad, or (3) borrow from the market for Russian bonds within Russia. When the government borrows from the central bank, the money supply rises. When the government borrows from abroad, the foreign debt increases. When the government borrows from the domestic market, the domestic debt increases. Let ΔM be the change in the ruble money supply; F be the change in the foreign debt (expressed in current rubles); and B be the change in the domestic debt. Also, let $f = F/Y$ (foreign borrowing as a percent of GDP), and $b = B/Y$ (domestic bond borrowing as a percent of GDP). Finally, define "monetary velocity" as $V = Y/M$.

Thus, there is a basic identity, showing that the budget deficit must be financed in one of three ways:

¹In fact, extensive statistical analysis suggests that Russian monthly inflation is linked to the money supply growth of four months before. I ignore this lag in the exposition for the sake of simplicity and clarity. For evidence on the basic relationship, see S. Fischer, "Prospects for Russian Stabilization in the Summer of 1993," and J. Sachs, "Prospects for Monetary Stabilization in Russia," in Anders Aslund (ed.), Economic Transformation in Russia, London: Pinter Publishers, 1994.

$$(3) D = \Delta M + F + B$$

Combining these three equations, and the definitions for d , f , and V , we have an equation for inflation that is really at the core of the debate over IMF strategy:

$$(4) \Delta P/P = (d - f - b) * V$$

This is a famous equation that is at the core of standard analyses of inflation, including the IMF's. It says that the inflation rate $\Delta P/P$ is an increasing function of the budget deficit as a percent of GDP, d . The higher the budget deficit as a percent of GDP, all other things constant, the higher is the inflation rate. This is the core analytical basis of the IMF recommendation to cut the budget deficit as the way to end high inflation. Similarly, the higher the monetary velocity V (for a given budget deficit), the higher is the inflation as well. If there is a "flight from the ruble," then V rises, and the inflation rises as well, even if the budget deficit as a percent of GDP remains the same.

Equation (4) says something else, however, that is usually ignored by the IMF, and that has been almost ignored in the IMF's negotiations with Russia. Inflation can be reduced not only by cutting the budget deficit but by shifting the way it is financed. For the same budget deficit, a reduction in ΔM matched by a compensating increasing in F and B will lower inflation. In other words, if the deficit is financed for by foreign borrowing or by domestic bond financing, rather than by central bank financing, it is possible to have low inflation together with a sizeable budget deficit.

Before applying equation (4), I must add one more complication. In fact, the money supply can grow not only through central bank loans to the budget, but also through central bank loans to enterprises (usually via commercial banks). Thus, to apply equation (4) we must interpret d more broadly, as the budget deficit plus central bank credit to banks (all as a percent of GDP). The IMF has certainly been on target in pressing the Russian Central Bank (RCB) to limit credits to the enterprise sector. By the end of 1993, RCB credits to the enterprise sector were running at between 1 and 2 percent of GDP.

Now let's apply the equation. At the end of 1993, the Russian budget deficit was approximately 9 percent of GDP, plus another 2 percent of GDP in credits to the commercial banks that should be added to calculate d .² The

²There is some ambiguity about the precise size of the fourth-quarter deficit. The recorded deficit of 9 percent is based on cash flow accounting. There were several categories of "unfulfilled obligations" (arrears). Finance Minister Boris Federov maintained that these spending items were inappropriate commitments that were not bound by law and that should and could be canceled by the Government. Others in the cabinet disagreed. The Parliament was disbanded at the time. The ex post deficit will depend on how many of the so-called

monetary velocity was approximately 1.2.³ There was no foreign borrowing (f = 0) and almost no domestic bond financing (b = 0.3 percent). Thus, the equation predicts a monthly inflation rate of:

$$13 \text{ percent} = (11 - 0.0 - 0.3) * 1.2$$

The equation is exactly on the mark for the 13 percent December inflation rate (somewhat by chance to be sure!). Compounding the 13 percent December inflation rate for a 12-month period, the annualized inflation rate was approximately 335 percent.

There are several countries with budget deficits of around 9 percent of GDP, which have modest inflation rates). This is shown in the accompanying Table 1. Why do these countries have low inflation while Russia has a very high inflation rate? Simply, they finance their budget deficits in non-monetary ways, by foreign borrowing and domestic bond financing. (They also restrict the direct financing to the enterprise sector, as Russia must do as well).

This experience in other countries, and the analytical content of equation (4) highlights the superficiality in the current debate about IMF conditionality. The IMF argues that Russia should substantially reduce its budget deficit as a precondition for IMF aid. But we can immediately see an alternative. The IMF could instead mobilize international assistance (its own funds together with funds of the G-7 and international institutions) to help Russia finance the budget deficit in a non-inflationary way, by shifting from monetary to non-monetary finance. In addition, it could help Russia to increase the proportion of the budget deficit that is covered by domestic bonds.

In essence, the choices are shown in Table 2, in two stylized variants. The one I call the "IMF variant" is based on slashing the budget deficit to around 3 percent of GDP.⁴ The "Aid variant," of the kind that I have been advocating during the past two years, is based heavily on shifting the financing of the budget deficit from monetary financing to foreign financing and domestic bond financing. This would allow the budget deficit to remain at around 9 percent of GDP during 1994, and would be consistent with a fall in the inflation rate to around 3-4 percent per month. In the "Aid variant," the foreign financing would amount to around 4 percent of GDP (\$14 billion, assuming a 1994 GDP of \$350 billion), and domestic bond financing of around 2 percent of GDP (up from this year's rate of around 0.3 percent of GDP).

Why is the IMF incorrect in simply pressing for greater cuts in the deficit? Such cuts are economically and politically unjustified. A more nuanced approach is needed. While it is true that many budgetary subsidies could be cut

"arrears" are in fact paid off by the new cabinet.

³Velocity is measured here as the ratio of monthly GDP to the monetary base.

⁴The IMF has not yet made a precise recommendation for 1994, so "IMF approach" signifies the standard procedure of the IMF, not a specific recommendation to this point.

Table 1. Budget Deficits and Inflation, Selected Countries, 1992

<u>Country</u>	<u>Budget Deficit as Percent of GDP</u>	<u>Inflation</u>
Belgium	6.8	2.4
Italy	9.5	5.3
Greece	11.1	15.9
Sweden	7.1	2.3
memo:		
Russia, 1993, Q:IV	9.0	335.0

Source: For all countries except Russia, OECD Economic Outlook, No. 54, December 1993, Table A25, "General government financial balances," and Table A15, "Consumer Prices." For Russia, the budget deficit is for the last quarter of 1993, and a projection of 15 percent per month for a twelve-month period.

Table 2. Budget Alternatives for Stabilization (percent of GDP)

	Budget Deficit		Financed by:		
			money	bonds	foreign
Current	9	-	8.7	+ 0.3	+ 0.0
IMF variant	4	-	3.0	+ 1.0	+ 0.0
Aid variant	9	-	3.0	+ 2.0	+ 4.0

in 1994 (my own estimate is around 4 percent of GDP), it is also true that many areas of social spending must be substantially increased (by around 4 percent of GDP). It is therefore extremely unlikely that Russia could drastically reduce government spending as a percent of GDP this year. On the tax side, there is also little scope for increased revenues. While a few taxes (e.g. energy excise taxes) might be raised, other taxes (such as the VAT) are already at high rates. During stabilization, it is likely moreover that profits taxes will decline, perhaps by several percent of GDP. Russia will therefore do well simply to maintain the tax revenues as a percent of GDP.

The incessant and exaggerated IMF focus on budget cuts (rather than deficit financing) has had three undesirable effects. It has deflected the Russian attention from social spending, by creating the presumption that there is no money available for social spending. How can one think about new social spending if the existing budget deficit is already too high by 6 percent of GDP!? Second, the IMF focus on budget cutting has left the West vulnerable to the Russian charge of being insensitive to Russia's economic realities. Third, the IMF approach has stymied realistic compromises inside the Russian Government.

The IMF argues that financing a budget deficit simply postpones the difficulties, while accumulating public debt for the future. Indeed, there is a case for budgetary financing in the form of grants (as in the Marshall Plan) rather than loans. Even if the foreign support comes in loans, however, there is still a very strong case in taking on more long-term public debt at this point. Russia's debt-GDP ratio is approximately 20 percent (\$70 billion of net foreign debt in a GDP of \$350 billion). There is almost no internal indebtedness. Therefore, Russia's stock of government debt as a percent of GDP is less than almost all OECD countries! Russia's foreign debt currently poses a crisis in term of short-run liquidity: the debt cannot be serviced in the next few years because of the urgent fiscal crisis. It is likely to be manageable, however, in the long run. There is therefore further room to borrow now in support of stabilization and consolidation of the reforms.

Despite the importance of Western assistance for budgetary finance, the IMF has failed to acknowledge that a substantial part of the Western assistance program should be steered towards budgetary financing, as a direct weapon in the fight against inflation. While the IMF asserts that roughly \$20 billion in bilateral loans flowed to Russia in 1992-93,⁵ it fails to recognize that such commercial loans to Russian state enterprises were either irrelevant to or actually inimical to stabilization, since they did not help with budgetary financing. In fact, almost all of the loans that came were very short-term commercial loans that supported off-budget import subsidies, and that typically exacerbated the budget deficit, thereby actually raising inflationary pressures in 1993 and 1994.⁶ The IMF rightly tried to stop the use of such credits,

⁵This number seems unrealistically high to me. It should be documented by the IMF.

⁶In a typical transaction during 1992, when most of the loans were made, a Russian trading firm received a credit to import foodstuffs. It then sold the foodstuffs at a very low domestic price. Sometimes the foodstuffs were given

though now it counts them as "foreign assistance"! The actual aid flows during 1992 and 1993 are discussed briefly in an appendix to this testimony.

In 1992, there was zero foreign financing of the Russian budget deficit. The entire foreign financing was either to support off-budget import subsidies (which actually worsened the budget deficit in 1993 and 1994 as explained in footnote 6), or to support technical assistance and grants of foodstuffs, medicine, and a few other commodities (probably less than \$1 billion in total).

In 1993, actual budgetary financing for Russia was probably less than 1 percent of GDP (a full accounting is not yet completed). In mid-1993, the IMF assumed 2.7 percent of GDP in foreign financing of the Russian budget (plus 4.2 percent of GDP in commercial loans to finance off-budget import subsidies), but the assumed foreign financing was basically constituted by the postponement of interest payments on the foreign debt (amounting to 2.8 percent of GDP in postponed payments), rather than by actual flows of money to Russia.

In fact, the IMF systematically understates to the Russian Government the amounts of Western assistance that is potentially available for budgetary financing. When the IMF makes its budgetary recommendations to Russia, for example, it takes into account only IMF funds that are under current negotiation, not future IMF funds that are planned to follow the current program. Thus, when the IMF and Russia were discussing the \$3 billion Systemic Transformation Facility in the Spring of 1993, the IMF refused to incorporate in its formal budgetary recommendations the fact that the \$3 billion STF was supposed to be followed by a \$4 billion standby loan.

In an interesting sentence in a mid-1993 report (Request for Purchase under the Systemic Transformation Facility), the IMF describes Russia's balance of payments as follows:

Russia's external financing requirement (grants and loans from bilateral and multilateral creditors and debt relief, excluding non-FSU states) is projected at about \$43 billion in 1993, including \$3 billion from the Fund. (p. 12)

The \$43 billion mentioned by the IMF is clearly pegged to the G-7's prior announcement of a \$43 billion aid package (\$28 billion in loans and grants and \$15 billion in debt rescheduling). The IMF's statement is very odd, however, in that the Fund's share of the \$43 billion package was supposed to be \$13 billion, not \$3 billion, yet this is not acknowledged even in the Fund's own document.

away to politically powerful local constituencies, where they were resold for a profit. When the loan comes due (mostly in 1993-1995), it is guaranteed by the Russian budget! The Government will have to pay off the loan directly, or will have to give subsidies to the trading firm to pay off the loan. In this way, billions of dollars of so-called "Western aid" actually helped to finance extensive corruption (in the trading firms), while adding to the budget burden during 1993-95. This represents around \$17 billion of the \$23 billion of so-called "aid flows" reported by the IMF.

The IMF says that it is not permitted to "budget" its own funds that have not yet been negotiated. The practical effect, however, is that the IMF pushes the Russian Government to make larger cuts in the budget deficit than are necessary or warranted.

The IMF also fails to stress the importance of domestic bond financing, and to mobilize technical support to raise the proportion of the Russian deficit that can be financed by domestic bonds. IMF programs with Russia have stated that the Russian Government should sell domestic bonds to finance the budget deficit, but the IMF has put almost no real effort into this crucial part of the stabilization process. Rather, it has focused almost all of its negotiating effort on getting Russia to cut the budget deficit. In its 1993 program with Russia, the IMF assumed bond financing at less than 1 percent of GDP.

Because of this past history of aid, Senators, the warnings of Western Governments that Russia will "lose Western assistance" if Russia deviates from stabilization are no longer credible in Moscow. Since there has been almost no real support for stabilization, there is little fear now of a "cutoff" of aid. Of course, the Russians remain very interested in large-scale assistance of the sort that we have offered, but they see little prospect that such aid will ever arrive. Part of the job of the U.S. Government now is to raise our own credibility that in fact there would be significant assistance in the context of a rigorous adjustment program.

To conclude this section, I should mention two other deep shortcomings in the IMF approach. First, the IMF has made major mistakes on straightforward monetary advice. It was one year late in advising Russia to introduce a separate national currency and to disband the "ruble zone." This caused a nearly fatal setback to stabilization in 1992. It also has advised Russia against using a pegged exchange rate as a "nominal anchor" in financial stabilization, contrary to the worldwide experience of recent years.⁷ Second, the IMF has relied almost entirely on fly-in missions rather than on-the-ground assistance in Moscow. Despite its protestations to the contrary, the IMF's contacts with Russian policy officials (especially at the level of division chiefs and directors general) is superficial and generally too brief to be of much help. The IMF had only two residents in place in its Moscow office in 1992, and had only 4 residents in

⁷As World Bank Chief Economist Michael Bruno has concluded in a major review of worldwide stabilization experience:

While monetary targeting with an exchange-rate float has been a plausible policy alternative in stabilization from low or moderate inflations (especially when the safety cushion of exchange reserves does not exist -- as in Bulgaria and Romania), this has hardly ever been the case with successful stabilizations from high or hyperinflations. There are a variety of reasons for targeting the exchange rate rather than a monetary aggregate at the initial stabilization stage -- the instability of the demand for money, the frequency of observation of the exchange rate as a proxy for the price index (on a daily basis), and the more widely and intuitively understood signal of the stability of a key price level (in relation to wages, for external competitive considerations, etc.).

1993. There have also been a very few advisors put into the Russian Central Bank for a few-months period (3 advisors, I believe, in the past two years).

Towards a future assistance program for Russia

It is not yet clear whether Russia will abandon the quest for monetary stabilization. Of course, with the departure of the leading reformers from the government, the prospects look rather bleak in the next few months. On the other hand, the Russian Government is at least paying lip-service to the priority of stabilization. It is possible, though unlikely, that the Russian leadership is sufficiently scared of "Ukrainization" of the Russian economy to be willing to continue on the path of monetary stabilization.⁸

In any case, it is a huge mistake to leave the situation up to the current IMF mission now in Moscow. The IMF lacks the vision and conceptual framework to work out any satisfactory arrangement with the Russian Government. The problem, once again, is not to drop the IMF's goal of low inflation. The problem is to design a framework of assistance to help achieve that goal.

The U.S. Treasury together with its G-7 partners should take over from the IMF the active guidance of the negotiations with the Russian Government. Operationally, the Finance Deputies of the G-7 could be charged with operational oversight, and presumably, Treasury Undersecretary Lawrence Summers would have the lead within the group. The G-7 should put forward its willingness to finance a significant part of the Russian budget deficit (through IMF, World Bank, and G-7 loans) if the Russian Government takes the additional steps that would be needed to bring about real financial stabilization.

The odds are very poor that such an agreement can be reached and implemented at this point given the composition of the Russian cabinet, but on the other hand, the stakes are so high that the possibilities of such an agreement should at least be explored. If such an agreement cannot be reached now, it should at least be tabled by the G-7 in case the leading reformers return to the cabinet when the economic situation deteriorates in future months.

Direct G-7 leadership would accomplish something that the IMF inherently cannot do. By reaching an aid agreement directly between the G-7 and Russia, the Russian leadership (President Yeltsin and Prime Minister Chernomyrdin) will be directly bound to the agreement much more strongly than would be the case with a typical IMF loan (which is signed at the level of the finance minister and central bank chairman). This endorsement of the G-7 support by the senior Russian leadership would strengthen Western confidence to move forward with large-scale aid. In this way, Russia and the West would break free of the trap of "low aid, little reform" and arrive at the goal of "large-scale aid, deep reform."

What would be the contents of a real Western assistance package, if the appropriate circumstances arise? It should be modelled with four components,

⁸Ukraine has inflation rates of 90-100 percent per month, which when annualized amounts to an inflation of more than 200,000 percent per year.

roughly as shown in Table 3. The first component, \$14 billion of budgetary support, would constitute the 4% of GDP budget financing shown in the "aid variant" in Table 2. The other \$14 billion for industrial restructuring would involve the wide range of projects already on the drawing board for modernization and restructuring of key sectors of the economy, including military conversion, energy, and agriculture. Most of this financing would come from the World Bank, the EBRD, and the export credit agencies. In addition, Russia would receive further fiscal relief by a multiyear debt rescheduling and a ruble stabilization fund, designed to be held as reserves to back an early pegging of the exchange rate (which has played a key feature in the stabilization programs in Israel, Mexico, Poland, Argentina, and Estonia in recent years).

A final plea: Glasnost in the IMF

IMF performance will never be properly understood, much less improved, until the IMF is subject to the same kind of public scrutiny as the U.S. Congress, the Federal Reserve Board, and other public institutions vested with the public trust. As I prepare this testimony, and peruse IMF documents in my possession as a former advisor to the Russian Government, literally every document is stamped "Confidential." Senators, you cannot independently scrutinize the IMF's operations, much less ask informed questions that might be prompted by the lack of clarity in IMF reports, under such conditions of confidentiality.

The IMF responds to criticisms of its secrecy by saying that each member government has access to all the reports. This is not enough. It does not constitute independent public scrutiny. Moreover, the IMF states that member governments would not be frank if they knew that IMF documents would thereafter circulate in the public domain. This too is an inadequate defense of the IMF's retreat to confidentiality. Borrowing from the IMF is a privilege, not a right of member governments. The world's taxpayer dollars (and in the case of Russia, the world's physical security) are at stake in each IMF decision. If governments want to receive IMF funds, they should be prepared to open the IMF loan agreements to public scrutiny, perhaps after a short delay (as in the case with the Federal Open-Market Committee of the Federal Reserve Board). The U.S. Congress, in its turn, should require that U.S. public funds can be put at risk in IMF loans only if IMF documents are available for public scrutiny.

Table 3. Basic structure of recommended Western aid package

- 1) \$14 billion Russian budget financing
 - \$5 - 8 billion IMF funds
 - \$3 billion World Bank funds
 - \$3 - 6 billion direct G-7 aid

- 2) \$14 billion Industrial restructuring projects
 - \$10 billion export credits directed
at long-term restructuring
 - \$2 billion EBRD (with co-financing)
 - \$2 billion World Bank funds

- 3) Multiyear debt rescheduling in Paris Club

- 4) Ruble stabilization Fund (\$6 billion, to be held as
reserves, from General Agreement to Borrow)

Appendix. A Review of Economic Assistance during 1992-93

The past two years have been nothing short of a debacle from the point of Western assistance to Russia. In both years, the West promised a large-scale aid program (\$24 billion in 1992 and \$28 billion in 1993, not counting debt rescheduling), and in both years, only a tiny fraction of the aid actually arrived.

As seen in Table A.1, the IMF was called upon to provide \$9 billion of assistance in 1992, and in fact delivered \$1 billion. Even that overstates the aid, since the \$1 billion was granted on the surrealistic condition that it could not be spent, but rather had to be held in the bank as reserves! In 1993, the IMF was to deliver \$13 billion, and in fact delivered \$1.5 billion. Of course, the IMF says that "additional finance did not materialize because the Russian authorities were unable to implement appropriate stabilization and structural reform policies." This, I have argued, is a faulty assessment. The IMF is also responsible for the shortfall, for failing to devise a sensible framework that would have matched Russian stabilization efforts with external financing of Russia's budget deficit.

The World Bank and EBRD also failed to meet the targets set by the G-7. In 1992, these two institutions were to deliver \$1.5 billion in loans, and in fact delivered nothing. In 1993, these institutions were to deliver \$5 billion, and in fact lent just \$0.5 billion. In the same year, the World Bank lent approximately \$5 billion to China.

The IMF claims that bilateral assistance totalled \$20 billion during 1992 and 1993. This sum is doubtful and has not been precisely quantified in public documents by the IMF. It is much higher than the figures believed by many Russian financial authorities. In any event, most of it does not constitute real assistance. Almost all of the money was in the form of short-term credits at commercial interest rates lent to Russian state-trading bodies, with Russian sovereign guarantees. The loans were dissipated in subsidies to selected regions and to corruption. These loans provided almost no budgetary support; they were not part of a consistent assistance program (the IMF never tried to coordinate the flow of funds or to integrate the funds into an assistance program); and in fact, these funds are now a significant burden on the budget as a large proportion of the loans are already falling due!

"Truth in advertising" would require that the IMF specify the breakdown of assistance in the following ways: grants versus loans; the maturity structure of the loans and the terms of repayment; the proportion of financing to the Russian budget; and the proportion of financing that was part of monitored programs of Western assistance. Then, the world will see clearly that there has been almost no aid flows during 1992 and 1993, especially in comparison with Russia's needs and in comparison with the levels of assistance advertised by the Western Governments and the IMF. My own estimates are that Russia received approximately \$3.5 billion of budgetary support over the two-year period.

Table A.1. Official Financial Assistance to Russia, 1992-93
(A = announced; D = delivered)

	1992		1993		1992-1993	
	A	D	A	D	A	D
IMF	9	1	13	1.5	14	2.5
World Bank, EBRD	1.5	0	5	0.5	5	0.5
Bilateral ⁹	13.5	14	10	6.0	21	20.0
Total	24	15	28	8.0	40	23.0
Memo items:						
Aid from international agencies	10.5	1	18	2.0	19	3.0
Budgetary support ¹⁰		0		2.0		2.0

Source: IMF press release, February 1, 1994.

⁹Includes \$2.5 billion of promised relief on interest payments that was not formally granted in 1992.

¹⁰Estimate of aid that was directly in support of budgetary financing, not counting debt rescheduling. In 1993, approximately \$2.5 billion could be used for budgetary support: \$1 billion of the IMF loan, \$0.5 billion of the World Bank loan, and approximately \$0.5 billion of Western support.