
The international financial institutions

By Susan Guthrie and Christine Tether, Economics Department

The financial crises that engulfed East Asia in 1997 and 1998, Russia in 1998, and Brazil in 1999 were typified by capital flight, collapsing currencies and a threat of contagion to other markets. The emergence of these crises brought into prominence the international financial institutions ("IFIs") which oversee the international financial system.

The crises also led to proposals to strengthen the global financial architecture – namely the policies, institutions, and norms which define the environment in which the international financial system operates. Of the reforms which have been suggested, many involve the IFIs in some way. (See "Reforming the Global Financial Architecture: Some New Zealand Perspectives" in Section II of this Bulletin for an outline of the issues and some New Zealand observations on them).

These subjects are of interest to New Zealand for several reasons. New Zealand is a small open economy which is very integrated with international capital markets, and is a member of most of the major IFIs. Also, in December 1998, New Zealand assumed the chair of the APEC (Asia Pacific Economic Cooperation) group of economies at a time when a large part of the region was in the early stages of recovering from financial crisis.

In this article we sketch the institutional environment in which international economic relations are conducted, and provide some detail on the more important IFIs.

1 Overview

Governments around the globe interact with each other in the economic and financial policy sphere in various ways. There is a large number of international agreements and treaties, some of which are legally binding, and others less formal, and a range of fora and organisations for exchanging information and for developing international policy. One of the latter is the Organisation for Economic Co-operation and Development (OECD) whose membership comprises the more developed countries. The OECD has a very broad mandate, which covers virtually all facets of economic policy, including for example, environmental and education policies, as well as macro and financial sector policies. Others include the World Trade Organisation (WTO), which oversees the rules that govern international trade, and the International Labour Organisation (ILO), the international forum for labour market issues. There are also multilateral organisations that have a financial focus and it is these that are the most relevant to the Reserve Bank, and the focus of this article.

We focus in particular on three such institutions: the International Monetary Fund (IMF), the World Bank Group, and the Bank for International Settlements (BIS). All three play

important roles in relation to the international financial markets and international financial policy issues.

The IMF and the World Bank were created along with the precursor to the WTO, the General Agreement On Tariffs and Trade (GATT), following an international conference held at Bretton Woods (in Vermont, USA) towards the end of World War II. These "Bretton Woods" organisations were established as having complementary roles, respectively in relation to:

- maintaining a stable and open international monetary system, so as to facilitate international trade (the IMF);
- financing reconstruction and development (the World Bank);
- the rules that govern international trade (the GATT).

The BIS was also created in the aftermath of conflict, in this case in the aftermath of World War I. It was established to co-ordinate payments between central banks, including the payment of World War I reparations by Germany to the Allies.

In the period since these international financial institutions (IFIs) were established, the world has evolved considerably,

and with it the IFIs. When the Bretton Woods institutions were established, the international financial system was based on a system of essentially fixed exchange rates, and the private international capital markets were very small compared to today. The IMF's role was founded on the need, given the fixed exchange rate arrangements at the time and the relative absence of private cross-border capital flows, for official financing of current account deficits while governments implemented corrective policies. In the case of the World Bank the need was for official development financing, again given the relative absence of private sources of cross-border capital to finance development.

Nowadays, the international monetary system is characterised by mostly flexible, and often floating, exchange rates. The role of the IMF today is focussed more on surveillance of countries' economic and financial policies, on promoting policies that are consistent with maintaining "orderly" (rather than fixed) and open exchange arrangements, and on assisting countries that experience an abrupt change in the international capital market conditions they face.

The growth of the world capital markets has seen the World Bank's focus shift toward financing development in the world's poorer countries: today the world's higher and middle income countries mostly have access to the world capital markets for project and development finance. The World Bank has also broadened its role, so that it now plays a significant role in assisting countries with building the policy infrastructure required for development (for example, financial systems, public sector reform, and educational and health sector support), in addition to, as before, financing physical infrastructure development (eg roading and electricity projects).

The financial role of the BIS today involves it acting as an intermediary between central banks with foreign reserves to invest, and the international investment markets in which those reserves are invested. It also sometimes plays a role, in conjunction with the IMF and the major developed countries, in co-ordinating, and providing bridging finance for collaborative international financing arrangements, such as those arranged for Brazil in 1999. Of equal note is the role that the BIS has developed as the secretariat for a number

of prominent international financial fora: including the G10¹ central banks, the Basle Committee on Banking Supervision and the International Association of Insurance Supervisors.

2 The International Monetary Fund

The International Monetary Fund (the "IMF") has virtually a global membership.² In recent years, the membership has expanded significantly, as the result of Russia, its former republics and the former centrally planned non-member economies of Eastern Europe having joined (see table 1).

Table 1 Membership in the IMF

Date established: 1945

Date NZ joined: 1961

Members as at 1 Aug 1960: 151

Members as at 30 June 1999: 182

Mandate

The purposes of the IMF, as established by its Articles of Agreement, can be summarised as follows:

- to provide the means for consultation and collaboration between members on international monetary issues;
- to promote exchange stability and to maintain orderly exchange arrangements among members, so as to facilitate international trade;
- to assist in the creation and expansion of markets where members can exchange currencies without restriction;
- to give confidence to members when faced with a shortage of foreign currency by making the financial resources of the IMF temporarily available to them under adequate safeguards.

¹ The G10 is a group of ten industrialised countries plus Switzerland. The ten major industrialised countries are the United States, Japan, Germany, the United Kingdom, France, Italy, Canada, the Netherlands, Belgium and Sweden.

² Taiwan, Cuba and North Korea are not currently members.

As already mentioned, the global financial market place has changed considerably since the IMF was formed. In particular, in 1971 the United States severed the dollar's link with gold and, despite a subsequent agreement in which the values of the industrial countries' currencies were realigned (the so-called Smithsonian Agreement), by 1973 the US dollar was allowed to float, and its value from then on has been determined by market forces. A number of other governments followed suit, or moved to other flexible exchange rate regimes (such as adjustable pegs against a basket of currencies). Nearly three decades later, market-driven variations in currency values are now accepted as the norm by a growing number of countries. The private capital markets have also grown immensely and capital flows from private sources now very substantially outweigh the resources available to the IMF, and finance current account imbalances on a scale not previously possible.

These changes in the global financial environment resulted in a major change to the IMF's Articles of Agreement in April 1978. The thrust of the change was to re-orient the IMF from overseeing and supporting a regime of fixed exchange rates to promoting an open and orderly international monetary system in an environment of flexible exchange rates.

Functions

The principal functions carried out by the IMF today can be grouped under two headings. These are surveillance of members' economic and financial policies, and the provision of short-term conditional financing to members facing balance of payment difficulties.

The **surveillance** function is founded on the premise that the international monetary system can only operate smoothly if the underlying economic and financial conditions in the member countries are stable. Members of the IMF, therefore, have an obligation to adopt policies that are consistent with maintaining stability in the international monetary system. This obligation is formalised in Article IV, Section 1, of the Articles of Agreement, which can be summarised as follows:

Members shall:

- endeavour to direct economic and financial policies toward the objective of steady economic growth with

reasonable price stability.

- produce orderly underlying economic and financial conditions.
- avoid manipulating exchange rates for balance of payments purposes.
- follow exchange policies compatible with the above.

The IMF monitors each member's economic and financial policies and prospects in relation to these objectives and obligations. The scope of the monitoring is quite wide, and covers, for example, the macro economy, trade and investment policies, the financial sector (including the functioning of capital markets and of the financial systems), and exchange rate policy.

This surveillance is carried out by desk officers who keep each country under review and, approximately once a year, visit to undertake an "on the ground" assessment. These visits are known as Article IV Consultations. The report resulting from the consultation is submitted to the IMF's Executive Board (see below for an outline of the nature and role of the Executive Board).

Until recently a feature of the IMF's Article IV surveillance role was its confidentiality. That is, the Article IV report submitted to the Executive Board, and the results of the Board's deliberations, were not released to the public. However, as a move in the direction of greater transparency, from May 1997 the IMF has released a Public Information Notice following each consultation³ which summarises the Article IV report and the Executive Board's conclusions. And commencing in 1999, on a pilot basis for a sub-set of members, full Article IV reports have been publicly released. (The report on New Zealand was released on 15 September 1999 and is available on <http://www.imf.org>).

Given the breadth of the IMF's membership, it is well placed also to maintain an overview of the world economy, in what the IMF describes as "multilateral surveillance." This multilateral surveillance results in the publication twice yearly of a *World Economic Outlook* report, and also annually of the *International Capital Markets* report. These global assessments provide one of the bases for discussion of global

3 Subject to the agreement of the member concerned.

economic developments at international economic meetings, such as those of the G10 and G7.⁴

Members can approach the IMF for **financial assistance** when they experience balance of payments difficulties. Although payments and receipts for imports and exports and long-term private capital flows across national boundaries rarely balance completely, the resulting imbalances are typically able to be covered by short-term capital. However, serious imbalances may result in balance of payments difficulties. The problem may be able to be resolved by large-scale use of foreign currency reserves, although a country's ability to sustain an external imbalance in this way is obviously limited by its holdings of foreign reserves. At, or close to, the point where reserves are exhausted, a country has little choice other than to devalue substantially, or float, its exchange rate.

It was this circumstance that confronted a number of countries in East Asia in 1997/98. Initially governments attempted to defend their exchange rates in the face of capital outflows, but they rapidly exhausted their holdings of foreign reserves, and were forced to allow their currencies to float. The massive currency depreciations that followed had severe effects, mainly because large amounts of existing foreign currency borrowing had not been hedged against exchange rate risk, such that many borrowers became insolvent, and banking systems collapsed. The primary assistance rendered by the IMF was to provide short-term, conditional loans. The funding was provided to enable the countries facing financial crises to augment their official reserves while corrective policies were put in place.

The conditionality of IMF loans is central to the role of the Fund. The emphasis is as much on "adjustment" as it is on the provision of financing. After all, the IMF generally becomes involved in providing financing only when a country finds that it no longer has access to the private capital mar-

kets, and often in the context of a crisis. To safeguard its own resources, as well as to assist restoration of financial stability and external viability for the member, IMF financing is required to be supported with an economic adjustment programme. And the greater the amount of financing sought, or in other words, the greater the problem that has given need to the financing requirement, the more demanding are the conditions that need to be applied.

Interest is charged on the loans made under the IMF's standard lending facilities at a rate set to cover its cost of funds plus a margin to cover operating expenses. The rate is attractive from two stand-points. First, the cost of the IMF's resources, which are raised from its members, is related mainly to the official short-term interest rates on the world's international reserve currencies (so the margin for credit risk is minimal). Secondly, if the countries seeking IMF financial assistance were to seek funding on the international capital markets, they would face extremely high interest rates and, indeed in most cases, would face markets that are completely closed to them, ie they would be unable to raise funding at any cost.

For certain other IMF's loan facilities, interest surcharges, or concessions, apply (see box 1 on loan facilities available from the IMF).

In addition to providing short-term financing itself, the IMF plays an important role in assisting members experiencing external difficulties with maintaining, or re-establishing, access to private capital markets. The IMF will often work with a member in presenting and explaining the member's adjustment programme to the international banking and capital markets, so as to assist in the restoration of market confidence in the member's economy and policies. Also, the IMF may actively involve itself in assisting a member to re-negotiate and re-schedule existing obligations it has in the international capital and banking markets and to other governments.⁵

Industrial countries today are generally thought of as having access to the very large international capital markets and,

4 Officials from the G10 meet regularly for the purpose of developing and co-ordinating international economic and financial policies. The G7 is a group of seven major industrialised countries which has a broader role than the G10 and typically involves political leaders. The G7 countries are the United States, Japan, Germany, the United Kingdom, France, Italy and Canada.

5 There is an established structure within which the rescheduling of inter-government obligations is arranged (the Paris Club), while re-scheduling of other obligations is negotiated mostly on a case-by-case basis.

Box 1

Loan facilities available from the IMF

The financing facilities offered by the IMF to members in difficulty are summarised below:

- Stand-by arrangement - a lending facility which is required to be supported by an economic adjustment programme with conditionality that applies for one to two years. Stand-by facilities are intended for addressing short-term balance of payments difficulties, where the adjustment required is mostly in the areas of monetary and fiscal policy. The standard interest rate applies.
 - Extended Fund Facility (EFF) – a facility for situations where longer term (3-4 year) structural as well as macro-economic adjustment is required, for example, where structural adjustment is required in the operations of the public sector, in trade policy, or in tax and regulatory policies, and progress in achieving reform is impeded by the weakness of the balance of payments. The standard interest rate applies and a larger amount of financing than available under a stand-by arrangement may be provided.
 - Compensatory and Contingency Financing Facility (CCFF) – a facility for members whose exports are subject to cyclical fluctuation (eg primary commodity exporters), or who experience an unanticipated, temporary loss of export revenue, or excesses in import costs, for reasons beyond their control. An adjustment programme with conditionality that applies for one to two years is required, although the degree of adjustment called for may be less than under stand-by and extended arrangements, given that the CFF facility is intended only where the external difficulty is considered to be mainly cyclical in nature.⁶ The standard rate of charge applies.
 - Enhanced Structural Adjustment Facility (ESAF) – a facility for low-income countries, to support macroeconomic adjustment and structural reforms.
- Drawings are required to be supported by an adjustment programme, with conditionality that applies for up to three years. This is a “concessional facility” in that the interest rate is only 0.5 percent per annum. (The ESAF is funded mainly by resources contributed voluntarily by members on a concessional basis. These resources are in addition to those provided by way of members’ quota subscriptions.)
- Supplemental Reserve Facility (SRF) – a facility for situations where a member experiences a disruptive loss of confidence in international capital markets, particularly where there is a risk of contagion to other members. Access to the facility is required to be supported by an adjustment programme, with conditionality that applies for up to one year. The amount of financing available is more flexible than under the above facilities. Interest is charged at a rate 300 to 500 basis points above the standard rate of charge. This facility was established in December 1997, when Korea was experiencing a financial crisis.
 - Contingent Credit Line Facility (CCL) – a preventative facility, under which financing is approved for members that could be vulnerable to balance of payments problems (but not currently in crisis) that arise from a sudden and disruptive loss of market confidence attributable to contagion. The commitment is available for one year, and is required to be supported with an economic policy programme approved by the IMF. The amount is not subject to the normal access limits for IMF facilities, but an interest surcharge of 300 to 500 basis points over the normal rate of charge applies. This facility was established in early 1999 in response to the emerging market crises of 1997-99, and in particular the contagion problem which was thought to have been a feature of those crises.

⁶ A facility which is also available to commodity exporters, but in recent years has been little used, is the Buffer Stock Financing Facility (BSFF). This provides loans to members for the purpose of financing their contributions to international commodity stock schemes. Access is dependent on a balance of payments need.

other than in the most exceptional of circumstances, are thought not likely to have a need for IMF financing. This, however, has not always been the case. For example, in the 1970s both the United Kingdom and Italy borrowed from the IMF, under IMF-supported adjustment programmes (see figure 1). Also, New Zealand in the 1960s and 1970s made use of IMF borrowing facilities. In more recent years, the countries borrowing from the IMF have in all cases been developing countries.

How the IMF is funded

The financial resources of the IMF are obtained from members, supplemented with borrowings as needed.

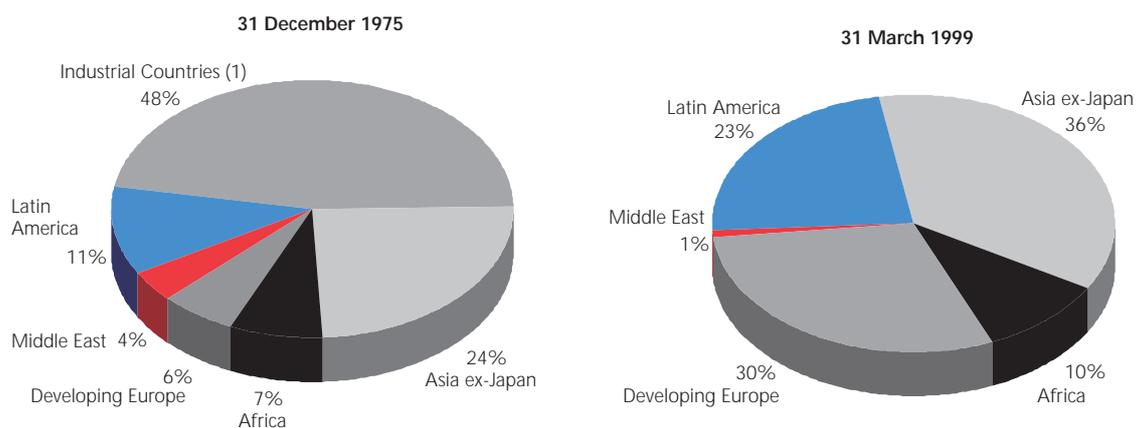
Each member contributes a specified amount of "capital" to the IMF. This contribution is known as the quota subscription ("quota") and is determined for each member within a framework that takes account of factors such as the size of the economy, the extent of its current account transactions, and the size of its official foreign currency reserves. As a general rule, 25 percent of quota is required to be subscribed in an "international reserve" currency, in effect, from the member's foreign currency reserve holdings, and the balance can be paid in the member's own currency.⁷ The combined contributions of members form a pool of cur-

rencies, which are held by the IMF in what is known as the "General Resources Account." This pool of currencies comprises the core resources from which the IMF funds lending to members.

The basic idea is that the IMF uses the currencies of its members with strong external positions to finance loan requests from those members with balance of payments difficulties. Where the currency used is not itself a reserve currency, the mechanics of the full set of transactions involved are complicated. But in broad terms, the borrowing country sells the currency it receives from the IMF to the country that issues that currency, in exchange for an international reserve currency. In effect the country whose currency has been used makes an additional amount of its own foreign exchange reserves available, via the IMF.

The amount of "international reserve" currencies that a member provides to the IMF, either by way of quota subscription, or when its own currency is used in IMF lending transactions, is known as the member's reserve tranche position. A member can withdraw this reserve tranche "on demand," the only requirement being that it be for "balance of payments" related reasons. The reserve tranche can be thought of as being an amount of a member's official

Figures 1a and 1b
Total IMF credit and loans outstanding



(1) Namely New Zealand, Finland, Greece, Iceland, Italy and Spain

Source: *International Financial Statistics Yearbook 1991*, *International Financial Statistics May 1999*

⁷ As a matter of practice, the own currency contribution can be subscribed by way of promissory notes, which are callable by the IMF, but until called are held on custody for the IMF by the member's central bank.

Box 2

Special drawing rights. What are they?

In addition to the conditional credit facilities which members with balance of payments difficulties can access, all members are allocated "special" drawing rights. However, these drawing rights do not give access to the IMF's General Resources Account (the pool of currencies), but to the IMF's own currency which is known as the "SDR."

When a member is allocated SDRs, the member is assigned both an asset (being the SDRs themselves) and a liability in the same amount. Allocations are made broadly in proportion to quota.

The SDR was created in the 1970s to allay concerns about the adequacy of global liquidity. Allocations can be thought of as the provision of **unconditional** credit to all members, which add to global liquidity.

When considering whether to create additional SDRs, the IMF is required by its Articles of Agreement to consider the adequacy of the global stock of international reserve assets, whilst also avoiding inflation pressures that could arise from too much global liquidity.

In the 1980s and 1990s little need has been seen to create additional SDRs owing, inter alia, to the depth and liquidity of the international private capital markets. A further SDR allocation was approved in 1998 but has

not yet been ratified by sufficient members for it to come into effect. This allocation (which required an amendment to the Articles) was motivated by a desire to achieve "equity" in allocations, against the background that the large number of members that had joined the IMF since the time of the last allocation in 1981 had yet to receive an allocation.

What are they worth?

The SDR's value is measured in terms of a basket of currencies comprising the USD, yen, euro and pound sterling. Its value is calculated daily on the basis of prescribed weights. The SDR interest rate is set at the weighted average of the short-term official interest rate for each of the constituent currencies.

What can they be used for?

SDRs may be used in transactions amongst members – for example, to settle obligations with each other, to make loans and to obtain foreign currency. Members can also use SDRs in transactions with the IMF such as in making a quota subscription, paying interest charges, and repaying IMF loans. As the member undertakes transactions using SDRs, the balance in its SDR account increases above or falls below its allocated amount. A member that holds more SDRs than it has been allocated receives net interest, and vice versa.

The SDR is the unit of account of the IMF.

foreign reserves that has been placed in an "on-demand" deposit at the IMF and, as such, is included in members' reported official foreign currency reserves. Members receive interest on their reserve tranche position (at the interest rate applying to Special Drawing Rights – see box 2).⁸

The size of a member's quota not only establishes the contribution it is required to make to the IMF's resources, but also establishes its voting rights in the IMF and the extent of its ability to draw on IMF resources. The latter is governed by the so-called "access policy", which sets indicative limits

on members' access to IMF resources in terms of percentages of quota.

Given the factors that quotas are based on, it follows that the major industrial countries hold the largest quota shares (see table 2). The United States is the largest individual member. (Quotas are measured in SDRs, which were valued at USD1.33587 as at 30 June 1999).

Quotas are reviewed at intervals of not more than five years. An 85 percent majority of the total voting power is required for a quota increase to proceed. The most recent general

⁸ However, a small, base, component of each member's reserve tranche is unremunerated.

Table 2
IMF quotas and resources as at 30 June 1999

	Quotas	Quotas	Total Resources
	SDR billion	% of total	SDR billion
United States	37.1	17.9	
Japan	13.3	6.4	
Germany	13.0	6.3	
New Zealand	0.9	0.4	
Industrial countries	128.9	62.0	
Developing countries	79.0	38.0	
Total	207.9	100.0	214.1

increase was by 45 percent in March 1999. At this time the opportunity was also taken to realign quotas for selected countries and large increases occurred for Japan (62%), Singapore (141%), Korea (104%), Malaysia (79%) and Thailand (89%), amongst others.

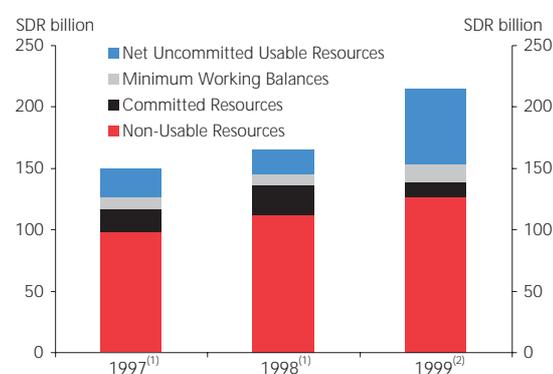
While SDR 214 billion is a sizeable pool of resources to be held by the IMF (this being the sum total of all quotas as at 30 June 1999), only part of that amount is available for new lending. The IMF can only actually use the currencies of members who have strong external positions and, by definition, that excludes a large part of the IMF's membership (if only because not all countries in the world can have strong external positions at the same time). Also, a proportion of the useable resources must be held to cover potential drawings on reserve tranche positions, as well as to fund future, unexpected, borrowing requests.

Of the SDR214 billion total resources held by the IMF as at 30 June 1999, only SDR88 billion was considered usable. And of that, only SDR61 billion was not committed under prior IMF arrangements with members nor needed as a minimum working balance (see figure 2).

The IMF may supplement its resources by borrowing at market interest rates from central banks and governments.⁹ Formal guidelines for borrowing state that the IMF's total outstanding borrowing plus unused credit lines must not exceed 60 percent of total quotas. Several borrowing arrangements exist.

The General Arrangements to Borrow (GAB) is a renewable arrangement between the IMF and the governments of the G10 countries or their central banks. Under the GAB, the

Figure 2
Financial resources of the IMF



(1) Year-end December

(2) As at 30 June

Source: <http://www.imf.org>

IMF can borrow at market-related interest rates from one or more GAB participants in order to provide assistance to an IMF member where that assistance is required to help prevent damage to the international monetary system. The GAB were reviewed in November 1997 and participants renewed the arrangements for a further five year period from December 1998. The GAB were last activated in July 1998 to provide assistance for Russia.

The New Arrangements to Borrow (NAB) is a more recent renewable arrangement involving the countries participating in the GAB plus 14 additional countries and central banks.¹⁰ The NAB make supplementary resources available at market-related interest rates to the IMF to enable it to forestall or contain a crisis which threatens the global financial system. Having been ratified only in November 1998,

⁹ The IMF has the authority to access non-official sources but has not chosen to do so to date.

the NAB were activated for the first time in December 1998 to provide assistance for Brazil. The NAB do not replace the GAB which remain in force. However, the NAB are to be the first and principal means by which the IMF obtains additional resources in the future.

The combined resources available to the IMF through the GAB and the NAB is SDR34 billion (of which the GAB makes up SDR17 billion).

The IMF also has bilateral arrangements with individual countries, which are in strong balance of payments positions. The IMF has a credit arrangement with Saudi Arabia in association with the GAB and, in the past, has entered into arrangements with Japan (1984, 1986) and Belgium (1984). The IMF has also borrowed from the Bank for International Settlements (1983, 1984).

Governance

The most senior body in the IMF is the Board of Governors, which comprises generally the finance minister or most senior central bank official of each IMF member. It is concerned primarily with matters of governance. Voting rights within the Board are allocated on the basis of quota.

A subset of the Board of Governors, known as the Interim Committee, is of a more workable size (24 members) and, though a non-executive body with no formal voting or decision making powers, it is the ministerial body that provides policy guidance to the Executive Board. All IMF members are represented on the Interim Committee but only eight members are represented individually. Smaller members group together in 16 "constituencies" and from their group select a member to represent them on the Interim Committee. The structure of the Interim Committee parallels that of the Executive Board, details of which are provided next.

The Executive Board comprises 24 Executive Directors. The five largest members (United States, Japan, Germany, France and the United Kingdom) are entitled to appoint an executive director each, while China and Russia each hold sufficient voting power to elect their own director. Saudi Arabia is

similarly represented by virtue of the funding arrangement the IMF has with it. The remaining 16 directors are elected by the constituencies already referred to. Executive Directors are typically drawn from the finance ministries and/or central banks of the countries they represent. Each has a small staff, typically also drawn from the countries they represent.

The Executive Board is the body that oversees business of the IMF. It is based at the IMF's Washington headquarters and is a full-time board. It considers members' requests for use of IMF resources, conducts regular reviews of those members' economic adjustment programmes, considers Article IV consultation reports, and administers and develops IMF policies and practices.

Most of the matters that go before the Executive Board are decided by "consensus," although the voting power of the individual members will often provide an important backdrop to how the consensus is shaped. Where formal votes are taken, a simple majority of the voting power is required for most matters, although the more important policy matters require the support of 85 percent of the voting power (which means that the United States has a veto power by virtue of its 17.9 percent share of total quota). Similar voting structures apply in the Board of Governors for those matters that require its support,

The management and staff of the IMF is headed by the Managing Director, who also chairs the Executive Board. The Managing Director by convention has always been a European. The staff of the IMF presently comprises about 2,600 personnel, most of whom are based in Washington DC.

New Zealand's relationship with the IMF

Although New Zealand participated in the Bretton Woods conference in 1945 that led to the establishment of the IMF, we did not join the IMF until 1961.

New Zealand's quota subscription is currently SDR895 million (NZD2.3 billion), which comprises 0.4 percent of the IMF's total quota.

New Zealand has not used IMF resources since the mid 1970s, and is unlikely to do so in the future. This is because our freely floating currency means that external imbalances can

10 The additional 14 countries are Australia, Austria, Denmark, Finland, Hong Kong Monetary Authority, Korea, Kuwait, Luxembourg, Malaysia, Norway, Saudi Arabia, Singapore, Spain, Thailand.

Table 3
Membership in the World Bank Group

	Date established	Members as at 30 June 1990	Members as at 30 June 1998	Date NZ Joined
IBRD	1945	152	181	1961
IDA	1960	138	160	1974
IFC	1956	135	174	1961
MIGA	1988	85	149	-
ICSID	1966	92	129	1980

be accommodated through the exchange market, and because New Zealand's has relatively good access to the international capital markets.

The occasions when New Zealand has borrowed from the IMF are summarised below:

Between 1965 and 1967 New Zealand:

- drew upon its gold tranche position (now called the reserve tranche position)
- borrowed under the Compensatory Financing Facility
- in October 1967 entered into a one year stand-by arrangement for USD87 million.

In 1975 and 1976, following the first oil crisis, New Zealand drew on its reserve tranche position and again borrowed under the Compensatory Financing Facility.¹¹ The reserve tranche position was also drawn during the foreign exchange crisis of June and July 1984.

By contrast, during the last year or two, the IMF has been a user of the NZD in its lending operations. As a result New Zealand's reserve tranche position has increased to significantly above the 25 percent of quota "norm", to 38 percent of quota. New Zealand's reserve tranche now stands at NZD862 million (30 June 1999), and this comprises a material portion of New Zealand's total official foreign currency reserves (NZD7.04 billion in total as at 30th June 1999).¹²

¹¹ New Zealand also borrowed under an Oil Facility. This was established temporarily in recognition of the need to recycle petro-dollars from the oil producing countries with current account surpluses to oil importing countries with current account deficits.

¹² In recent years, New Zealand has also been an active provider of personnel to the IMF's technical assistance programmes.

New Zealand is a member of a constituency comprising Australia, Korea, Philippines, Papua New Guinea, Mongolia, the Seychelles and a number of the small Pacific Island economies.¹³ The convention to date has been for the Australian Treasurer and a senior Australian official to represent the constituency at Interim Committee meetings and on the Executive Board respectively. New Zealand is represented in the Executive Director's office, including, on a rotational basis, at the level of Alternate Executive Director.

3 The World Bank Group

The World Bank Group comprises five organisations: the International Bank for Reconstruction and Development (the IBRD); the International Development Association (IDA); the International Finance Corporation (IFC); the Multilateral Investment Guarantee Agency (MIGA); and the International Centre for the Settlement of Investment Disputes (ICSID).

To be a member of the World Bank Group, a country must be a member of the International Monetary Fund, and a country cannot join the IDA or any of the other World Bank agencies without first being a member of the IBRD. Membership has grown rapidly in recent years and 181 countries are currently members in one or more entities making up the World Bank Group.

Mandate

The purposes of the IBRD and IDA can be summarised as follows:

¹³ Namely Kiribati, Marshall Islands, Palau, Federated States of Micronesia, Solomon Islands, Western Samoa and Vanuatu.

IBRD:

- To assist in the restoration of economies destroyed or disrupted by war and the development of productive facilities and resources in less developed members;
- to promote private foreign investment in member countries and, where private capital is not available on reasonable terms, to supplement private investment by providing finance out of its own resources; and
- to promote the long-term balanced growth of international trade by encouraging productive investment in member countries.

IDA:

- To further the objectives of the IBRD; and
- in particular, to provide finance to less developed members on terms that are more flexible and less burdensome than the IBRD.

When the IBRD was formed in 1945 private capital markets were not well developed and could not be relied upon to provide the resources necessary to rebuild war ravaged economies. Hence post-war governments decided to form a jointly-owned financial institution which would provide assistance in the form of loans to members for economic reconstruction and development. In the late 1950s and 1960s, the focus of the IBRD and the newly-created IDA turned to lower income countries, in particular those without access to the growing international private capital markets (although even today they have a role in assisting in post-conflict reconstruction, for example, most recently, in Bosnia and Kosovo).

The roles of the IBRD and the IDA, like that of the IMF, have evolved since 1945. While economic development remains the overriding objective, there is now a stronger focus on alleviating poverty. A corollary is that higher income countries are generally regarded as having “graduated” from access to IBRD facilities, and access to IDA facilities is limited to countries with a per capita GDP below USD1,506.

The IFC, MIGA and ICSID are affiliates of the World Bank Group. Unlike the IBRD and IDA, which deal with governments and official agencies, these three organisations interact

with private investors and agencies. Their purposes can be summarised as follows:

IFC : to assist, in association with private investors, in financing the expansion of private enterprises in member countries, and without government guarantee of repayment;

MIGA: to provide insurance to private investors in developing countries against non-commercial risks such as expropriation, restrictions on transferring capital, and war, as well as to help establish fair and stable standards with regard to the treatment of foreign investment; and thereby enhance the flow of private capital to developing country members.

ICSID: to help promote increased flows of international investment by assisting in the settlement of investment disputes between governments and foreign investors.

Functions

The IBRD and IDA make, participate in and/or guarantee loans to member governments for projects which will further economic and social goals. The projects which receive finance are those which:

- meet technical, economic and environmental standards;
- contribute to the member's economic development and social objectives;
- are unlikely to attract the required capital from other sources on reasonable terms; and
- have favourable repayment prospects.

In about half of the projects funded by the IBRD, the IBRD acts as a co-financier, along with governments, other development banks (notably the regional development banks mentioned below) or commercial banks. In all cases, however, the IBRD financing is guaranteed by the borrowing government (even where the loan is not provided directly to the government).¹⁴ By contrast, the IFC collaborates in the financing of development projects as a commercial partner

¹⁴ The loan may be guaranteed by the member's central bank or a comparable agency of the member acceptable to the IBRD. The only IBRD loans which are not government guaranteed are those made by the IBRD to the IFC.

with investors in private enterprises, through both loan and equity participations. These are not government guaranteed.

In its first 20 years the IBRD focused on infrastructure projects in sectors such as transport and energy. While physical infrastructure projects still receive funding, there is increasing emphasis on projects that directly involve the poorest people in developing countries – for example in agriculture, small scale industry and urban development. Also, in recent years there has been significant expansion of lending to support general economic structural adjustment, for example in support of trade liberalisation programmes, and to support financial sector reform (see box 3). The latter role has involved the IBRD working in close collaboration with the IMF, which nowadays also plays an important role in financing structural adjustment, as well as external imbalances that have macro-economic (monetary and fiscal) origins. The management of the areas of overlap between the World Bank and the IMF has been an on-going issue, in particular during, and following, the Asian crisis.

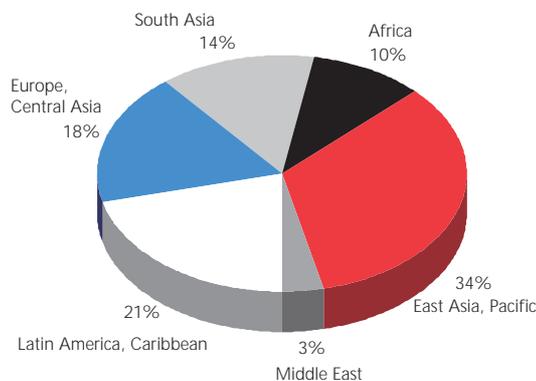
To ensure that the lending contributes to the member in the way envisaged, the use of loan proceeds is carefully supervised and funds are disbursed only when required for project expenses. The disbursement period can often extend to as long as nine years but will be considerably shorter in the case of structural adjustment loans, for example those designed to contribute to the resolution of financial crises.

Interest is charged at a rate that covers the IBRD's operating expenses plus the cost of its funds, which are borrowed on the international markets. However, as the IBRD is, effectively, guaranteed by its members – which include the world's largest and strongest economies – it borrows as an AAA rated borrower. The IBRD is thus able to raise funds on significantly more favourable terms than could the countries that it lends to. (As to how the members' "guarantee" works, see below).

As mentioned, countries with very low per capita incomes have access to concessional loans from the IDA. IDA loans bear no interest and have a maturity of 35 to 40 years. Currently members with per capita gross national product of up to USD925 (the standard applying as at 30 April 1999) are eligible for loans from the IDA. Members with per capita

incomes between USD905 and USD1506 receive loans from both the IBRD and the IDA. These members are referred to as "blend borrowers".

Figure 3
IBRD and IDA lending by region



Source: World Bank Annual Report 1998

With total assets of USD205 billion (as at 30 June 1998), the IBRD accounts for approximately 75 percent of the combined loan assets of IBRD and IDA.

The IBRD and IDA have been active lenders in all developing regions. The financial crisis of 1997/98 led to an upsurge in lending to East Asia during that period, making it the largest borrowing region in the 1998 fiscal year.

Lending is spread across all sectors. However, the financial crises in 1997 and 1998 revealed a need for reform in public sector management and in the financial sectors in Asia and generated an abnormally large volume of loans into those two sectors.

How the World Bank is funded

The financial resources of the IBRD and IDA in both cases are substantially sourced from their respective memberships, but take quite different forms.

Shareholders in the IBRD have a share allocation based on their quota in the IMF. However, only a small portion (about 6 percent) of IBRD capital is actually paid up by members. The balance remains uncalled capital, and the IBRD instead borrows on the international capital markets against the "guarantee" provided by the uncalled capital. In other words, the resources provided to the IBRD by its members mostly

Box 3

World Bank loan facilities

The IBRD undertakes two broad types of lending, namely investment lending and adjustment lending. Loans approved in fiscal year 1998 were approximately evenly spread between the two activities.

As the name indicates, investment lending supports investment activities within member countries. More than three-fourths of investment lending made in recent years has been in the form of Specific Investment Loans. These fund the development or rehabilitation of economic, social and institutional **infrastructure**.

Adjustment lending is designed to support the introduction of reforms in economic, financial and other **policies** have conditions attached that relate to macro-economic conditions and policies. Adjustment lending will not normally exceed 25 percent of total IBRD lending but the exceptional conditions created by the Asian crisis in 1997-98 generated a surge in adjustment lending in fiscal year 1998.

IBRD loans have the following features in common:

- a three to five year period before repayments commence (the "grace" period);

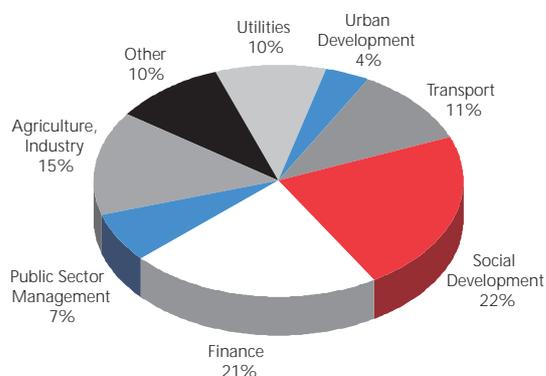
- amortisation of principal over a period of 12 to 20 years;
- a commitment fee of 75 basis points per annum on undisbursed amounts;
- a front-end fee of 1 percent of the loan amount; and
- interest charges that include a standard IBRD spread of 75 basis points over either LIBOR or the IBRD's average cost of the outstanding borrowings allocated to fund the loan.

In addition to the standard IBRD interest spread there may be a risk premium charge, and loan origination charge.

IDA offers eligible members the same types of loans (known as IDA "credits") as the IBRD, but on highly concessional terms.

In addition, the IBRD (and to a lesser extent, IDA) provides guarantees to third parties for funds loaned to member countries. The borrowing member, in turn, counter-guarantees the IBRD (or IDA). The provision of guarantees is a relatively recent development, and its use has been relatively low. As at 30 June 1998, the face value of outstanding IBRD guarantees was USD2 billion.

Figure 4
IBRD and IDA lending by sector



Source: World Bank Annual Report 1998

take the form of their obligation to pay up their capital should the need arise, that is, if the IBRD would otherwise be unable to meet its own obligations (should it experience

significant losses in its loan portfolio). To date the IBRD has always been able to repay creditors without accessing callable capital.

Shareholders in the IDA, by contrast, pay up their share subscription. This reflects that IDA, being a highly concessional lender, is not in a position to service borrowings raised on the capital markets.

The distribution of shareholdings in the IDA do not so closely follow a set of rules, or a formula. Rather, and again reflecting the highly concessional terms of IDA lending, shareholder contributions are more of the nature of donor contributions. However, the more advanced countries are naturally "expected" to contribute amounts that take account of the size and performance of their economies.

Table 4
IBRD and IDA: capital contributions, voting power and total assets as at 30 June 1998

	Subscriptions to capital stock Paid-in USD m	Subscribed USD m	% Total votes	Total assets USD m
IBRD				
3 Largest members				
- USA	1,998	31,965	16.7	
- Japan	944	15,321	8.0	
- Germany	543	8,734	4.6	
New Zealand	52	873	0.5	
Total industrial	6,794	109,501	57.4	
Total developing	4,494	76,936	42.6	
Total all	11,288	186,436	100	204,971
IDA				
3 Largest members				
- USA	23,432	23,432	14.9	
- Japan	20,124	20,124	10.6	
- Germany	11,020	11,020	7.0	
New Zealand	112	112	0.3	
Total industrial	91,114	91,114	60.3	
Total developing	3,941	3,941	39.7	
Total all	95,055	95,055	100	99,558

IBRD capital increases occur from time to time as required, subject to the support of at least 75 percent of the total voting power. IDA resources are reviewed at periodic intervals of approximately three to five years. A general capital increase in the IBRD was last approved in April 1988 and the Twelfth Replenishment of IDA's resources, covering the three year period from 30 June 1999, has been agreed but is yet to take effect.

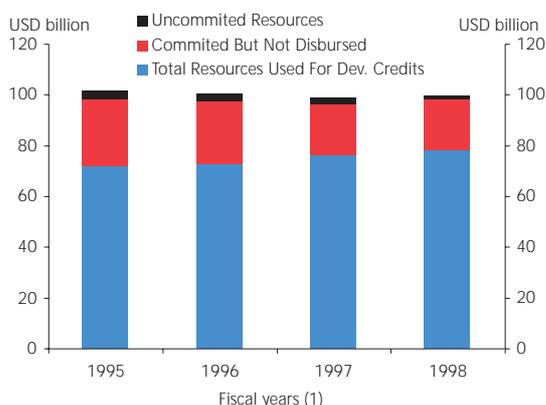
Because the IBRD earns income and generates profit, it accumulates retained earnings and these are available as additional resources to fund its activities. By contrast, IDA

loans earn no interest, so IDA resources can only be increased by shareholder contributions ("donor replenishments"), investment income,¹⁵ and transfers from the IBRD. As loans are repaid there is a "reflow" of resources back to the IBRD and the IDA which can then be used to make new loans.

Given the concessional nature of loans provided by IDA there is considerable demand for IDA resources. Although there have been donor replenishments on a regular basis, demand almost by definition invariably exceeds the resources available and uncommitted resources available for making new loans are currently low.

The IFC, MIGA and ICSID are legally separate institutions and each has its own capital base. However, the IFC is funded predominantly by borrowings raised on the international capital markets.¹⁶ IFC borrowings are not "guaranteed" nor supported by uncalled capital.

Figure 5
Application of resources: IDA



(1) Fiscal year ends 30 June.

Source: World Bank Annual Report, 1996 and 1998.

Governance

The governance structure of the World Bank Group closely parallels that of the IMF. There is a Board of Governors com-

¹⁵ IDA invests resources which are awaiting disbursement to borrowers. In the year to 30 June 1998 USD527 million was earned from investments and USD304 million was transferred from IBRD retained earnings to IDA.

¹⁶ The IFC is a smaller institution than either the IDA or the IBRD in terms of total assets (these were USD31.6 billion as at 30 June 1998).

prising a representative (typically the finance minister or most senior aid official) from each member, a smaller Development Committee that is drawn from the Board of Governors (with a membership and a role that parallels that of the Interim Committee), and an Executive Board (whose role and membership also parallels the Executive Board in the IMF).¹⁷

While the five entities that make up the World Bank Group are legally separate, they share common governing bodies mentioned above. For example, each Governor of the IBRD appointed by a member which is also a member of the IDA, IFC or one of the other affiliates is, by right of his or her position, a Governor of those affiliates also. The same generally applies to Executive Directors.

Decision making structures, as between matters that require the agreement of the Board of Governors (eg capital increases and membership admissions) and those that can be determined by the Executive Board, and the voting majorities required, also broadly parallel those in the IMF.

The management and staff of the World Bank Group is headed by the World Bank President, who by convention is from the United States. The overall permanent staff of the World Bank Group comprises about 7000, most of whom are based at headquarters in Washington DC, but with increasing numbers distributed throughout regional offices.

New Zealand's relationship with the World Bank Group

New Zealand joined the IBRD and IDA in 1961 and 1974 respectively. New Zealand is also a member of the IFC (1961) and a signatory to ICSID (1980), but has not joined MIGA.

Soon after joining the IBRD, New Zealand obtained loans to finance the building of the Cook Strait power cable, for port development and for a Cook Strait ferry. However, New Zealand is now regarded as having "graduated" from access to IBRD facilities.

The constituency of which New Zealand is a member in the World Bank closely corresponds with, but is not identical to, that in the IMF.¹⁸ In the World Bank the position of Execu-

tive Director for the constituency rotates amongst Australia, Korea and New Zealand, and during those periods when New Zealand does not provide the executive director, a New Zealander nonetheless holds a position in the Executive Director's office.

As well as being a shareholder, New Zealand contributes to World Bank Group activities and projects through the official aid programme administered by the Ministry of Foreign Affairs and Trade.

4 Regional development banks

Amongst the main regional development banks are the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank. These institutions were established in the early 1960's, except for the European Bank for Reconstruction and Development, which was established in 1990 to assist the former centrally planned economies of Central and Eastern Europe to make the transition to market economies. They have broadly similar structures, objectives, and functions as the World Bank: indeed, in a number of respects, they can be viewed as regional versions of the World Bank Group. Although their lending and memberships are regionally based, each also has members from outside their respective region, including from amongst the industrial countries who contribute as shareholders and donors. (Space constraints preclude the presentation of details on the individual institutions. A good reference source for those interested is *Directory of International Financial Institutions*, published by Central Banking Publications Limited, 1996.)

New Zealand is a member of the Asian Development Bank and of the European Bank for Reconstruction and Development. New Zealand plays a reasonably active role in the Asian Development Bank, where it is grouped with the Cook Islands, Fiji, Indonesia, Kyrgyz Republic, Tonga, and Western Samoa. However, the New Zealand shareholding in, and involvement in the affairs of, the European Bank for Reconstruction and Development is minimal.

¹⁷ Formally, the Development Committee is a joint IMF – World Bank committee.

¹⁸ The Seychelles and the Philippines are not members but Cambodia is.

5 Bank for International Settlements

The Bank for International Settlements (BIS) is an institution predominantly focussed on central banks. It offers banking and other services to central banks, and, indirectly, to international financial markets.

The headquarters of the BIS are in Basel, Switzerland. Since 1998 the BIS has also operated an office for Asia and the Pacific in Hong Kong SAR. In recent years membership of the BIS has expanded to incorporate shareholders outside Europe and the industrialised world. 45 countries across Asia/Pacific, Latin America, Africa, Europe, North America, and the Middle East are now members of the BIS.

Mandate

The BIS plays three central banking roles. They include:

- promoting co-operation amongst central banks;
- providing facilities for international financial operations;
- providing various trustee and agency functions.

Although the BIS was established under the Hague Agreement of 1930 to facilitate German reparations after World War I, the BIS ended up doing little reparation work, since war reparations were suspended in 1931.

Functions

The BIS's main contribution to **international monetary and financial co-operation** is through organising and providing analysis, and secretariats, for a range of monetary and financial policy fora. These include consultations amongst central bank Governors, senior officials, and international institutions, as well as a number of standing committees. The role of the BIS as a central venue helps to encourage co-operation and information exchange amongst various groups that meet there.

In the past, most monetary and financial policy meetings at the BIS took place between officials from the G10 countries. This was because many committees and working groups were established from G10 initiatives. With the increasing importance of emerging markets, more BIS meetings now include participants from non-G10 economies. Institutions such as the IMF and the World Bank also occasionally participate.

Many of the groups that meet at the BIS are concerned with developing, within their own area of expertise, practical standards for the international financial sector. One such group is the Basel Committee on Banking Supervision, which sets standards governing the supervision of international banking groups. Another is the International Association of Insurance Supervisors (see box 4). The BIS also hosts meetings to address common issues between the groups. An example is the Joint Forum on Financial Conglomerates which includes these two groups and the International Organisation of Securities Commissions (IOSCO).

Recently the BIS has also been actively contributing to work on the reform of the international financial architecture, through its role in the Financial Stability Forum. The Financial Stability Forum was established in 1999 to co-ordinate actions to strengthen international financial stability. Its membership comprises representatives from the G7 countries, the principal international financial institutions, and the various international committees whose work focuses on financial stability. The present chair is the General Manager of the BIS, and the BIS and the IMF jointly provide secretariat support.

The BIS provides two types of **financial services** to central banks and other major international financial institutions: banking/investment, and loan, facilities. The banking and investment services relate mainly to the investment of part of central banks' foreign exchange reserves. The BIS takes gold and deposits in a range of currencies and places these funds in financial markets. A central bank does not have to be a member of the BIS to deposit reserves with it, although the BIS Board of Directors' approval is required to establish a banking relationship.

As at 31 March 1999, around 120 central banks and international financial institutions had placed currency deposits with the BIS, representing about 7 percent of global foreign exchange reserves. The BIS is better placed than many central banks to invest in global financial markets. Besides being able to invest a little less conservatively than central banks themselves (and thus earn a higher rate of return), as an intermediary the BIS can enable central banks to invest in the markets in a neutral way, for example, by avoiding the appearance of favouring, or not favouring, particular institutions.

Box 4

Key BIS-based committees

- Basel Committee on Banking Supervision – concerned with the effective supervision of international banks. The Committee discusses supervisory issues, co-ordinates supervisory responsibility for international banking, and enhances standards of supervision. The centre pieces of the Committee's work have been the "Basel Concordat," which establishes the allocation of supervision responsibilities in respect of international banks as between the country of the parent bank, and the other countries in which the bank operates; the "Basel Accord" which sets minimum standards of capital adequacy for international banks, and the "Basel Core Principles" for effective supervision of banking institutions.
- Committee on the Global Financial System (formerly called the Euro-currency Standing Committee) – concerned with the safe functioning of financial markets. The Committee has three tasks: short-term monitoring of global financial system conditions, longer-term analysis of the functioning of financial markets, and policy advice to improve the stability and functioning of financial markets.
- Committee on Payment and Settlement Systems – aims to strengthen financial market infrastructures and reduce systemic risk by promoting robust payment and settlements systems. The Committee is currently developing core standards for the operation of payment and settlement systems (building on an existing set of standards for settlement systems known as the "Lamfalussy Standards", after a former general manager of the BIS).
- International Association of Insurance Supervisors – aims to improve supervision of the insurance industry through developing practical standards for insurance supervision, providing a forum for mutual assistance amongst supervisors, and facilitating the exchange of information between members about their respective experiences.
- Committee of Experts on Gold and Foreign Exchange – monitors developments in financial markets and identifies the implications for central bank policies and operating procedures. The Committee also addresses longer-term structural issues, particularly the evolution of foreign exchange markets.

In its lending operations the BIS makes short-term loans to central banks, both on a bilateral basis and, on occasion, as part of multilateral international financial support arrangements. In certain circumstances the BIS can provide credit during international financial crises, for example by providing bridging finance to central banks pending the disbursement of credits under other international arrangements. At other times, the BIS has organised credit facilities. For example, in late 1998, within the framework of an IMF Supplemental Reserve Facility and with the backing of 19 central banks, the BIS co-ordinated a credit facility of USD13.3 billion for the central bank of Brazil.

The BIS has provided **trustee and agency functions** since its inception. As mentioned previously, the BIS was the trustee for German war reparations after WWI. Before European Monetary Union the BIS also provided a number of agency functions to the European community. For example, from 1986-1998 the BIS was the agent for the ECU Clearing and Settlement System. (The BIS also housed the European Monetary Institute, the precursor to the European Central Bank, until it moved to Frankfurt in 1996.) Another example is the role it has played, since 1994, as collateral agent for bonds issued by the Brazilian government under external debt rescheduling arrangements.

Table 5
BIS Balance sheet as at 31 March 1999

	USDm	% of total
Assets		
Gold	7,525	5.9
Treasury bills and securities	57,730	44.9
Currency deposits and advances	62,901	49.0
Cash and other	344	0.3
	—————	—————
	128,500	100.0
	—————	—————
Liabilities		
Paid-up capital/reserves	5,682	4.4
Gold deposits	6,194	4.8
Currency deposits	111,949	87.1
Other	4,675	3.6
	—————	—————
	128,500	100.0
	—————	—————

How the BIS is funded

The BIS is a limited company with issued share capital. Issued shares are held by both central banks (86%) and private shareholders (14%)¹⁹ and each is paid up to the extent of 25 percent of their nominal value. All shares carry equal rights with respect to dividends.

Investments made on behalf of central banks and other international financial institutions comprise almost 94 percent of total assets. The majority of these investments are short term and represent deposits with quality international commercial banks, and investments in government securities. As at 31 March advances outstanding to central banks totalled USD4.9 billion – the majority being funds extended under the 1998 Multilateral Credit Facility in favour of the central bank of Brazil.

Most deposits received from central banks and financial institutions are in the form of foreign currencies (particularly

US dollars). Central bank gold deposits comprise just 4.8 percent of total liabilities.

Governance

Rights of representation and voting at BIS General Meetings are reserved for central bank shareholders, in proportion to the number of shares issued to their respective country. Private shareholders have no voting rights. The BIS has a maximum of 21 Directors on its Board. Six constitute the governors of the central banks of Belgium, France, Germany, Italy, and the United Kingdom as well as the Chairperson of the Board of Governors of the US Federal Reserve. As ex-officio members, each of these Directors also appoints another Director of the same nationality. Up to nine Directors are elected from governors from other member central banks.²⁰

The Board of Directors appoints the President of the BIS (currently also the Chairperson of the Board), and members of the Management.

¹⁹ When the Bank's initial capital was issued, founding central banks could subscribe to the shares themselves, or arrange for the shares to be subscribed by the public. As a result, private shareholders hold part of the issued Belgian and French capital, and the entire capital issued to the United States. Existing private shareholders need the consent of both their central bank and the BIS before transferring shares.

²⁰ Governors of the remaining G10 central banks - Canada, Japan, the Netherlands, Sweden, and Switzerland - currently sit on the Board.

New Zealand's relationship with the BIS

New Zealand is not a member of the BIS. However, the Reserve Bank of New Zealand uses the financial services provided by the BIS and is involved in various BIS work programmes.

Typically, the Reserve Bank deposits about USD50 million of its foreign reserves with the BIS. The Reserve Bank also operates accounts for transactional purposes and has access to a short-term credit facility of USD100 million. During the 1984 foreign exchange crisis the Reserve Bank borrowed USD300 million from the BIS, over a three month period.

The Reserve Bank participates in BIS activities on an occasional basis, rather than as a regular participant. By virtue of holding the chair of SEANZA²¹ over 1997-1999 New Zealand is currently the Asia region representative in respect of matters before the Basle Committee of Banking Supervision.

6 Further reference material

IMF

<http://www.imf.org>

International Monetary Fund Pamphlet Series No. 45 Second Edition "Financial Organisation and Operations of the IMF"
International Monetary Fund "International Financial Statistics" June 1999

World Bank

<http://www.worldbank.org>

<http://www.miga.org>

The World Bank 1998 Annual Report

International Finance Corporation 1998 Annual Report

Regional Development Banks

<http://www.adb.org>

<http://www.afdb.org>

<http://www.ebrd.com>

<http://www.iadb.org>

BIS

<http://www.bis.org>

Bank for International Settlements 1999 Annual Report

²¹ SEANZA is a regional association of central banks that embraces 19 countries throughout East and South Asia, and Australasia.