Contents

		Page
Preface		vii
1	Introduction	- 1
II	Overview of Macroeconomic Performance and Structural Reforms Since Late 1988 Edouard Maciejewski and Ahsan Mansur	2
	Origins of Economic Difficulties Broad Strategy During the 1970s to Mid-1980s Macroeconomic Outcome: An Overview Structural Weaknesses Adjustment and Structural Reform Efforts, 1989–94 Performance During 1989–90 Performance Since 1992 Macroeconomic Stabilization and Outcome Structural Reforms	2 5 5 6 8 9 9 10 10
111	Macroeconomic Environment and Factors Underlying Growth and Investment Christopher McDermott	13
	Economic Developments During 1976–94 Boom of the 1970s Economic Slowdown in the Early 1980s Economic Crisis in the Late 1980s Economic Recovery, 1989–94 Factors Influencing Long-Term Growth Macroeconomic Stability and Growth Total Factor Productivity Residuals Factors Influencing Investment Methodology and Data Empirical Observations Concluding Observations	13 13 13 14 15 15 16 17 18 18 19 20
IV	Public Debt Dynamics and Fiscal Policy Etienne de Callatay and Ahsan Mansur	21
	Historical Background and Buildup of Public Debt Origin of the Problem Debt Accounting Framework Debt Dynamics and Sustainability of the Debt, 1975–88 Shift in Fiscal Policy Stance, 1989–94 Debt Dynamics and Sustainability of the Debt Ratio Revenue Mobilization	21 21 24 25 25 28 29

	Taxes on Foreign Trade Taxes on Domestic Transactions Taxes on Income and Profits Nontax Revenue Expenditure Recent and Forthcoming Structural Reforms in the Fiscal Area Appendix Methodology of Debt Dynamics Accounting Framework	29 30 30 30 30 31 32
٧	Financial Liberalization and Monetary Reforms Jean-Pierre Chauffour	34
	Background and Developments Operation of Monetary Policy, 1970–88 Monetary Developments Credit Expansion Driven by the Public Sector Use of Monetary Instruments Until the Late 1980s Monetary Policy Under Government Stabilization Programs, 1988–94 Use of Monetary Instruments Banking Supervision and Regulatory Measures Development of AFM Ongoing and Prospective Financial Reforms Appendix I Money Demand Function Appendix II Money Multiplier and Reserve Money, 1980–94 Appendix III Monetary Program Under Indirect Monetary Control	34 34 36 36 37 37 38 38 41 41 42 45
۷I	External Debt Strategy Patricia Alonso-Gamo and Ahsan Mansur	49
	Emergence of the External Debt Crisis Debt Management Strategy After the Debt Crisis Paris Club Agreement, 1989 Negotiations with Commercial Bank Creditors Changes in Debt Strategy Paris Club Rescheduling Agreements, 1992 and 1994 Revised Debt Strategy vis-à-vis Commercial Banks Negotiations with Other Official Creditors	49 49 49 50 50 50 51 52
VII	Liberalization of Trade and Exchange Systems Patricia Alonso-Gamo	53
	Structure of Trade Trade Regime and Trade Policy Reforms Since Late 1988 Trade Regime Prior to the Reforms Policy Changes in the Trade Regime Opening Up the Economy Regional Developments and Future Challenges Developments in the Exchange System	53 54 54 55 56 57
/III	Social Aspects of the Adjustment Program: Strengthening the Social Safety Net Ahsan Mansur	58
	Poverty Profile Poverty and Income Distribution Dimensions and Distribution of Poverty, 1991–92 Why Poverty Deteriorated Poverty Alleviation Policies Temporary Social Safety Net Instruments Food Subsidy Schemes	58 58 58 60 61 61

	National Aid Fund Health Care Subsidies Other Welfare Programs Permanent Social Safety Net Arrangements Public Education System Public Health System Other Safety Net Arrangements Overview of Recent Developments and Medium-Term Strategy	62 63 63 63 63 64 64
Вохе		
5.1. 8.1.	Banking Crisis of 1989–90 Social Security Corporation	39 59
Tabl	es	
2.1.	Social and Demographic Indicators	2
2.2.	Selected Economic and Financial Indicators	3
3.1.	Macroeconomic Performance	14
3.2.	External Financing and Investment	14
3.3.		1.
	Accounting Framework	16
3.4.	Impact of Macroeconomic Policy on Real GDP Growth	17
3.5.	Contributions to Economic Growth by Factors of Production	18 19
3.6.	Estimates of Private Investment Equation, 1977–94	22
	Central Government Operations	26
	Fiscal Sustainability	27
4.3.	Fiscal Impulse Comparative Performance of Emerging Capital Markets, 1994	40
5.1.	Comparative Performance of Emerging Capital Markets, 1991	54
/.l.	Direction of Foreign Trade Selected Poverty Indicators	60
8.1.	Factors Contributing to Change in Poverty	61
	Food Subsidies	62
0.5. Q 1	Selected Countries: Expenditure on Education	64
8.5	Health Indicators, 1991	64
A1.	The Colored Descriptions	47
Cha	wts	
2.1.		6
2.1.	Movement in Monetary Aggregates, Prices, and the Exchange Rate	6
2.2.	Central Government Operations	7
2.3.	Central Government Deficit, Revenue, and Expenditure	7
2.5.	External Sector	8
2.6.		8
2.7.		9
3.1.	Real GDP Growth and Investment	15
3.2.	Real GDP Growth, Fiscal Balance, and the Current Account	15
4.1.		21
4.2.	Expenditure	23
4.3.	Tax Revenue	23 23
4.4.		23 24
4.5.	Debt-to-GDP Ratio	28
4.6.	Evolution of Debt-to-GDP Ratio	28
4.7.	Fiscal Impulse Breakdown	29
4.8.	Implicit Interest Rate and Economic Growth Rate	29
4.9.	Revenue and Grants	

5 1	Monetary Aggregates	36
5.1.	Prices and Interest Rates	37
		42
Al.	Broad Money Demand	42
A2.	Income Velocity of Money	
Α3	Quarterly Demand for Money	43
A 4	Currency Outside Banks	43
A4.	Banks' Cash in Vaults and Reserve Requirements	44
A5.	Banks Cash in vaults and Reserve Requirements	45
A6.	Excess Liquidity and Money Multiplier	10
Figu	ıres	
5.1.	Banking System	35

The following symbols have been used throughout this paper:

- ... to indicate that data are not available;
- to indicate that the figure is zero or less than half the final digit shown, or that the item does not exist;
- n.a. to indicate that the item is not applicable;
- between years or months (e.g., 1991–92 or January–June) to indicate the years or months covered, including the beginning and ending years or months;
- / between years (e.g., 1991/92) to indicate a crop or fiscal (financial) year.

Minor discrepancies between constituent figures and totals are due to rounding.

The term "country," as used in this paper, does not in all cases refer to a territorial entity that is a state as understood by international law and practice; the term also covers some territorial entities that are not states, but for which statistical data are maintained and provided internationally on a separate and independent basis.

[&]quot;Billion" means a thousand million.