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DEVELOPMENTS IN THE INTERNATIONAL FINANCIAL ARCHITECTURE, 2004

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The reshaping of the global financial architecture is an issue that is still being pursued by different international players. Both the developments in the global financial markets and the risks inherent in them as well as the progress made in the financial architecture will have implications on the direction of resources between country groups. Thus, the study reviews the recent developments in the global markets as well as the steps taken to reshape the international financial architecture.

Although robust growth dynamics and the special conditions that emerged due to the low interest rates contributed both to the growth and external financing of the OIC countries, the interest rates which are on the rise in the global financial markets impose certain risks on them in terms of the available global funds as well as their cost level. In addition to the risks developing due to the global financial conditions, the study reviews the pieces of the global financial architecture such as Collective Action Clauses (CACs) and the Contingent Credit Line Facility. In addition, the study gives an updated account of the International Conference on Financing for Development (FFD) and initiatives taken by the concerned international committees to contribute to the operation of the financial architecture.

1. INTRODUCTION

The financial crises observed on the global scale during the last decade were of a different nature than the ones experienced earlier. They were almost all capital account crises with numerous and relatively smaller stakeholders. Hence, compared with the former debt crises that were mainly problems of sovereign debt rollovers against a relatively small number of official or private borrowers, the management of the new generation of crises requires a more sophisticated set of approaches and policy tools.

The new era renders imperative taking the necessary steps to prevent crises rather than recover from them since their economic and social burdens are relatively high compared to the earlier ones. This new orientation necessitates establishing a new structural framework which would allow the economies to operate efficiently as well as increase their financial absorptive capacities. In this context, pursuing the concepts of sustainability and stability regarding economic growth has become an integral factor in utilising the benefits from integration into the world economy while eliminating the risks likely to be incurred by it. To this end, the implementation of sound macroeconomic policies and vigilance against all types of imminent risks on the part of domestic policy makers along with increasing the institutional and absorptive capacities are vital.

Apart from the responsibilities falling on the shoulders of the domestic authorities in this regard, it is important that international institutions be ready to determine beforehand the risk factors both at the national/regional and global levels and design the necessary mechanisms for preventing or surviving the distress/crisis situation. Evaluating the risk factors likely to develop and monitoring the newly-established mechanisms in this regard are also important for the member countries of the Organisation of the Islamic Conference (OIC) in their efforts to integrate into the world economy.

In this context, this report aims to touch upon the trends developing in the global financial markets, particularly those of the emerging markets. Section 2 reviews the prominent developments in the global financial markets related to the developing countries' financing, examines the OIC member countries' fund situation in the global market and reflects upon possible risk areas related to the OIC countries' growth dynamics and access to the financial markets. Section 3 reviews the current state of the important mechanisms in the international financial architecture while Section 4 briefly reviews the new studies made by the international standard setting committees and draws inferences for the banking sector of the OIC member countries whose data are available. Finally, Section 5 wraps up the whole report and draws inferences from the cited developments for the OIC economies.

2. RECENT DEVELOPMENTS IN FINANCIAL MARKETS AND POSSIBLE RISKS

It is important to monitor the changes in the whole set of global financial mechanisms in order to understand their implications. Being aware of the yet unfolded risks is also equally important. Thus, this Section attempts to review the recent basic developments in the global financial markets, particularly emerging market financing including those of the OIC member countries since 2000.

The global growth prospects, which accelerated since the second half of 2003, still hold firmly. Such dynamics are so high that the annualised growth rate for the second half of the said year was realised as 6[1] percent, thus raising the growth rate for the whole year to 3.9 percent, a marked increase from the 3 percent of the year 2002. As for the year 2004, despite a number of hampering factors, growth dynamics are still strong as projections on world output increased from 4.6 to 5.0 percent in the subsequent 2004 issues of the IMF's World Economic Outlook.

Though growth prospects are currently firm, the background of this pick-up was gradually established during the preceding years especially with the help of the accommodative monetary policies implemented by a number of industrial countries and the resulting decline in short-term interest rates and increased liquidity[2]. Owing to this background, after the Asian financial crisis of 1997 and its following adverse conditions, the global economy started to experience a recovery since late 2001, which then showed signs of deceleration due to geopolitical risks. As those risks vanished by mid-2003, the long-before established medium of abundant liquidity, accommodative monetary policies and record low levels of short-term interest rates along with the deferred demand in individual economies served the worldwide spring in growth dynamics.

Due to the decline in short-term interest rates beginning with the year 2001 till the second quarter of 2003 (Table 1), international investors faced relatively lower yields in the mature financial markets. This situation, in turn, served as a factor increasing the risk appetite of those investors whose risk perception had heightened by the global

[1] IMF, WEO, 2004a, p. 1.
[2] For a detailed discussion of the subject, see IMF, WEO, 2004a and 2004b; IMF, GFSR, 2004a and 2004b.

crises experienced in the late 1990s. As a result of those conditions, a relative liquidity abundance and lower yields arose in the mature markets. Hence, in the face of such developments, the spreads at the cost of which the emerging markets use the funds narrowed while more liquidity headed to those markets (Table 1).

As the recent developments helped emerging markets get their shares from the abundance of global funds at lower costs through offering debt (i.e. bond issuance and loan taking) and equity instruments at advantageous asset valuation on the investors' side, the developing countries managed to reflect those developments on their economies' growth. Although, following the recent global crises, most of the economies have been undergoing structural reforms and complying with the basics of transparency, this development of the emerging economies' enjoying liquidity abundance raises questions as to the correct asset valuation in such markets. The debate focuses on whether the asset prices in the emerging markets really reflect the fundamentals of those markets or whether they are at an advantageous level due to liquidity. A connected question is whether the fundamentals of the emerging markets could allow them to use a similar proportion of funds within the available total in the face of a speculative fund dry-up.

Another point to be mentioned as a risk factor is the imbalances regarding the distribution of funds in the global financial markets and deficits in the various economies. Such imbalances are likely to pose a risk to the whole financial system in the face of a change in conditions if they are not guided and managed adeptly on the global scale. In addition to such a need, global growth dynamics and its moderation as well as the requirements of the changed conditions in individual economies throughout the recent years call on authorities to take some policy decisions.

Parallel to these conditions in the global markets, it is noticed from Table 1 that the gross issuance of the total amount of bonds, equities and loans increased to US$ 197.9 billion in 2003. The figures of the first two quarters of 2004 show that the total gross issuance of emerging market financial instruments is still on the rise. Of this gross issuance, it is observed that the relative importance of bond issuance compared to that of loans increased between the years 2000 and 2003. Bond issuance of the emerging markets reached its highest level in 2003. A similar picture should be expected in 2004 as an important share of the planned

financing of the emerging markets is realised through bond issuance in the first months of the year.

On the other hand, when amortisation and net debt issuance of the emerging markets in 2001 and 2002 are considered, it is observed that almost all the debt issuance was used to amortise the loans. Despite high amortisation, as the liquidity directed to the emerging markets increased, the net volume of fund-using also increased. Though the figures related to the first two quarters of 2004 give a similar picture as in the gross issuance case, the total picture could differ for the whole of 2004.

Table 1: Emerging Market Financing

					2003				2004	
	2000	2001	2002	2003	Q1	Q2	Q3	Q4	Q1	Q2
Issuance (Billion US$)	216.4	162.1	135.6	197.9	35.0	46.0	53.2	63.7	67.3	56.5
-Bonds	80.5	89.0	61.6	97.4	20.1	27.9	24.6	24.7	38.4	26.9
-Equities	41.8	11.2	16.4	28.7	1.2	2.0	7.1	18.4	13.2	10.3
-Loans	94.2	61.9	57.6	71.8	13.7	16.1	21.5	20.6	15.7	19.3
Amortisation (Billion US$)	114.3	148.0	129.3	124.2	22.1	34.3	29.6	38.2	38.4	33.2
-Bonds	52.2	60.0	59.8	61.8	10.5	17.5	15.6	18.2	25.0	17.9
-Equities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-Loans	62.1	88.0	69.5	62.4	11.6	16.8	14.0	20.0	13.5	15.3
Net Issuance (Billion US$)	102.2	14.2	6.4	73.8	12.9	11.7	23.6	25.5	28.8	23.3
-Bonds	28.3	29.1	1.8	35.6	9.6	10.4	9.0	6.6	13.4	9.0
-Equities	41.8	11.2	16.4	28.7	1.2	2.0	7.1	18.4	13.2	10.3
-Loans	32.1	-26.1	-11.8	9.4	2.1	-0.7	7.5	0.5	2.2	4.0
Interest Rates and Spreads (%)										
EMBI Global*	735	728	725	403	626	515	486	403	414	482
Federal Funds Rate	6.25	1.75	1.25	1.00	1.25	1.00	1.00	1.00	1.00	1.25
U.S. 10 yr trea.bnd**	5.12	5.05	3.82	4.25	3.80	3.52	3.94	4.25	4.30	4.33

Source: IMF, GFSR, 2004b, p. 28.
* Emerging Market Bond Index, spread in basis points.
** Yield in percent on 10-year U.S. treasury bonds.

After having examined the total issuance of financial instruments in the emerging markets, the situation in the OIC countries is shown in Table 2. The share of OIC countries' total asset issuance in the total emerging market financing was 15.9 percent by the end of 2003. This share is lower than the level achieved in 2000. However, it is observed that the highest share which was recorded in 2002 (19.6 percent) matched with the drop in the total emerging market financing. When the total of the first two quarters of the year 2004 is observed, it is noticed that the share of the OIC countries was recorded at 16.6 percent.

Table 2: Gross Issuance by Type of Assets in the Emerging Markets and the OIC Countries (Billions US$)

					2003		2004	
	2000	**2001**	**2002**	**2003**	**Q1**	**Q2**	**Q1**	**Q2**
E.M. Total *	**216.4**	**162.1**	**135.6**	**197.9**	**35.0**	**46.0**	**67.3**	**56.5**
-Bonds	80.5	89.0	61.6	97.4	20.1	27.9	38.4	26.9
-Equities	41.8	11.2	16.4	28.7	1.2	2.0	13.2	10.3
-Loans	94.2	61.9	57.6	71.8	13.7	16.1	15.7	19.3
OIC Total	**38.8**	**23.6**	**26.6**	**31.5**	**8.6**	**6.1**	**13.4**	**7.2**
-Bonds	13.6	9.9	9.7	8.9	2.5	3.5	7.7	4.1
-Equities	2.8	0.4	1.2	1.6	0.0	0.2	0.5	0.0
-Loans	22.4	13.3	15.7	21.0	6.1	2.4	5.2	3.1

Source: IMF, GFSR, 2004b, p. 28 and Table A.1 in the Annex.
* E. M. stands for Emerging Market.

It is observed that despite the increase in the share of bond issuance relative to loans for the total emerging market financing throughout the period 2000-2003, the OIC countries followed the opposite direction by increasing their share of loan relative to bond financing. However, in the first half of 2004, the OIC countries' level of bond financing surpassed their level of loans. On the other hand, when equity financing is considered, it is noticed that both its level and share are still far from satisfactory when compared to the emerging market total.

When the performance of the OIC countries is examined at the individual country level (see Table in the Annex), it is noticed that Turkey, Malaysia and Indonesia take the lead. In the case of Turkey, while loans were predominant in 2000 and 2001, bond issuance has become a predominant means of financing starting from 2003. In the case of Malaysia, however, the opposite is true as the share of loan

financing has been higher throughout the period under analysis. When equity financing is considered, Malaysia is found to be the country with the best performance. On the other hand, Indonesia seems to use all three financing instruments in a balanced manner.

As emerging markets utilised the augmented global financial pool in financing their economies, this was done at lower spreads, thus at lower costs. As shown in Table 1, the Emerging Market Bond Index (EMBI) Global, giving the level of emerging market spreads, decreased gradually from its level of 735 basis points in 2000 to 728 and 725 basis points in 2001 and 2002 respectively. The shrink of the spread is remarkable in 2003 where the reduction is 3.22 percentage points. When the spread is followed through the first two quarters of 2003, a falling trend is observed, albeit with a slower pace in 2004. In fact, similar to the liquidity directed to the emerging markets, the EMBI spreads could reverse to a certain extent.

Two basic factors allow emerging markets to use relatively cheaper funds. The first is the falling trend of risk-free rates as seen in the 10-yr US treasury bonds which went down, with fluctuations, to reach 4.33 percent in the second quarter of 2004. The other factor is the falling spreads due to liquidity increase. However, both are driven to a great extent by the path of the short-term interest rates of major economies, a representative of which is the federal funds rate of the U.S. Federal Reserve System. The latter, which was 6.25 per cent in 2000, dropped to as low as 1.00 percent in 2003 (Table 1).

As the global growth conditions picked up more strongly since the second half of 2003, an attached risk to this solid growth appeared: the growing imbalances in the world economy, i.e. the uneven distribution of capital account deficits/surpluses. The accumulating inflationary pressures in the face of strong global growth would need raising interest rates at a point in time. The higher the interest rate rises, the higher are the risks threatening the stability of the global financial market. As those risks would stem from the sudden reflex of investors to adjust their portfolios, they need to be adeptly handled.

Therefore, in order to eliminate such expected risks from interest rate hikes in the future both on the global and national economic scales, the Federal Reserve (FED) started to give the markets a direction via signalling in the first months of 2004 whose intensity increased by 20-21

April 2004[3] through June. The signalling made its expected effect on the speculators, thus allowing some of the market players such as the hedge funds to close positions before an interest rise occurred. As the FED's Chairman signalled a likely increase in the federal funds rate (ffr) and the uncertainty regarding its level of rise helped speculators and investors redistribute their portfolios on the global scale thus causing a soft curb in the imbalances of the international funds, the first ffr raise came on 30 June 2004[4] by 25 basis points increasing the rate to 1.25 percent. The second raise in ffr came on 10 August 2004[5] again by 25 basis points, this time raising it to the level of 1.50. Finally, another 25 basis-point raise came on 21 September 2004[6] making the ffr level 1.75 percent.

As interest rate increases started by the end of the second quarter of 2004, their shift to a faster pace imposes high risks on managing global imbalances as well as on emerging market finances, which would in turn threaten the stability of the global financial system. However, in case of inflationary pressures as a result of high growth dynamics, an increased pace of interest rate rises could become the outcome. Hence, both combating inflationary pressures as well as managing the imbalances could become interrelated for preventing bids for further risk premium on long-term bonds.

In this context, oil prices are another factor deserving a close watch, considering that they have been increasingly determined via financial contracts along with demand and supply conditions. Hence, apart from the decisions of the producers or market conditions, factors affecting the risk premium on oil contracts, such as the ones arising from geopolitical risks, have been asserting their importance.

In parallel with the increased global growth rate, oil prices rose in 2003. However, the rise in the last 9 months of 2004 reached record levels, despite OPEC's quota increasing decisions in June and August 2004[7]. Hence, the average oil prices which were US$ 28.89/barrel in 2003

[3] "Statement of Chairman Alan Greenspan before the Committee on Banking, Housing, and Urban Affairs, US Senate" and "Testimony of Chairman Alan Greenspan before the Joint Economic Committee, U.S. Senate".
[4] FRB Press Release, 30 June 2004.
[5] FRB Press Reease, 10 August 2004.
[6] FRB Press Release, 21 September 2004.
[7] In June, OPEC increased its daily production by 2 million barrels. In August, this increase was followed by a further increase of 0.5 million barrels.

rose to US$ 33/barrel by mid-June and then reached US$ 44.71/barrel[8] in a matter of one month. Despite the swings, the trend in oil prices was upwards so that they reached US$ 52.67/barrel[9] on 8 October 2004.

Despite OPEC's decisions of quota increases, the rise in oil prices due to geopolitical risks imposes certain risks both in terms of global inflationary prospects and the growth prospects of non-oil producing economies. Although some other underlying inflationary factors, such as wage increases exceeding productivity increases, are still relatively weak, the robust global growth and persistently high oil prices could become a serious risk. On the other hand, considering the upward pressure on oil prices, it could be said that this could impose risks on fiscal matters due to higher needs of financing in the face of increased oil-import bill as well as the debt sustainability issue of the non-oil producing OIC members.

3. DEVELOPMENTS IN THE INTERNATIONAL FINANCIAL ARCHITECTURE

This section reviews the most important developments and changes in the various mechanisms of the international financial architecture, particularly the recent steps taken regarding sovereign debt restructuring issues and contingency financing. It also provides an account of the follow-up to the Conference on Financing for Development or Monterrey Consensus. Finally, a number of studies by various fora or committees regarding reforming the financial architecture is highlighted.

3.1. Developments Related to Sovereign Debt Restructuring

Issuing sovereign debt in the international markets imposes a number of risks on the parties involved in the transaction considering the diverse character of the borrowers in the new era of globalisation. Among those risks are: the macroeconomic stability of the borrowing country and creditors' capital losses and/or contagion. The debate on the widespread risks stemming from the sovereign debt is still going on and a global scheme related to the restructuring of that debt is still being shaped. The debate originally focused upon the following points:

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[8] WEO, 2004b, p.59.

[9] Settle price for Light Crude per barrel for 4 November 2004 future contract on 8 October 2004 transactions on cnnfn.com.

- devising a scheme ensuring that the distressed sovereign and a qualified majority of its creditors reach an agreement which binds all other creditors of the same restructuring process,
- comprising a stay period allowing the debtor country a time of relief during restructuring negotiations,
- setting measures to protect creditor rights while integrating the debtor's interests through the consent of a qualified majority,
- providing financing to the distressed sovereign during the stay period while sharing this burden more with the parties or market players, and
- setting up an independent dispute resolution forum to settle the possible disputes along the process.

In fact, the decision process related to the creditors' stance on debt restructuring is vital both for practical reasons and for eliminating the disadvantages which stem from one of the parties' being a sovereign. Another issue is that the comprehensive scheme requires a broad consensus and implies difficulties regarding the immediate practice. The focus in this regard nowadays has been confined within the limits of integrating the Collective Action Clauses (CACs) which give creditors and the distressed sovereign a chance to implement an orderly settlement of debt problems by performing modifications on the initial terms of the contract, by a qualified majority vote, into the bond issuance contracts.

When bonds issued on international markets are considered, a "sovereign bond" stands for debt instruments of a fixed maturity issued in a fixed number and guaranteed by a state or its central bank, while an "international bond" is an issuance governed by a law other than that of the issuer and whose claims are to be settled under a foreign court jurisdiction[10]. Thus, today, many emerging market bonds supplied in the international markets are in the form of international sovereign bonds. Most of these are issued under the laws of New York, England, Japan or Germany. This distinction is important in terms of the claim the creditors would enjoy or the bond modification term that would be applicable at the time of distress.

[10] IMF, 2002a, p. 3.

The CACs might be classified into two categories: provisions of majority restructuring and provisions of majority enforcement. The former allow a qualified majority to bind the rest of the bondholders to the agreed terms of restructuring either before or after a default case, while the latter allow a qualified majority to prevent the minority from exercising their rights following a default. Thus, recalling the inclusion of CACs as a simpler and quicker way of handling sovereign debt restructuring problems the G-10 formed, in June 2002, a working group on the matter of resolving sovereign debts and the Executive Board of the IMF also started to encourage their wider use. Similarly, in September 2002, the International Monetary and Financial Committee (IMFC) welcomed the related dialogue with the sovereigns and the private creditors in the G-10 and other platforms.

Table 3a: Emerging Market Sovereign Bond Issuance
(In number and billion US$)

	2001	2002	2003	2001 Q3	2002 Q3	2003 Q3	2004 Q3
With CACs							
No.of issuance	36	17	55	2	2	10	16
Volume of issuance	14.4	6.8	34.3	1.8	0.9	6.4	9.1
Without CACs							
No. of issuance	57	44	32	6	5	7	2
Volume of issuance	25.1	25.7	18.3	3.8	3.3	3.5	1.5
Total							
No. of issuance	93	61	87	8	7	17	18
Volume of issuance	39.5	32.5	52.6	5.6	4.2	9.9	10.6

Source: IMF, "Progress Report to the International Monetary and Financial Committee on Crisis Resolution", 20 April 2004, p. 4 and IMF, "Progress Report to the International Monetary and Financial Committee on Crisis Resolution", 28 September 2004, pp. 2, 3.

The volume of bonds issued under the New York Law piled up since 1994. That meant an increased placement without CACs. However, as the inclusion of CACs into the international sovereign bond contracts was welcomed beginning in 2002[11], the first practice has been the issuance of Mexican bonds under the New York Law[12]. Today, under the jurisdiction of the New York Law, an important share of sovereign debt issuance is performed and, since March 2003, sovereign issuers resorted more frequently to the inclusion of CACs under this law. When the figures in Table 3a are considered, it is noticed that the share of

[11] ibid., p. 7.
[12] IMF, 2003c, p. 3.

bonds including CACs both in the total number of emerging market issuances and the total volume under different jurisdictions jumped in 2003. When issuances made in the third quarters of the recent years are considered, it is observed that this trend accelerated in 2004.

In addition, when the outstanding debt as at 23 September 2003 is examined, it is noticed that 43 percent of the issuances and 41 percent of the volume of debt include CACs under different jurisdictions (Table 3b).

Table 3b: Outstanding Emerging Market Sovereign Bonds
(as at 23 September 2004)

	Issuances		**Face Value of Issuances**	
	Number	Percent	Billion US$	Percent
Total	715	100	425	100
Including CACs	306	43	176	41

Source: IMF, "Progress Report to the International Monetary and Financial Committee on Crisis Resolution, 28 September 2004, p. 3.

In fact, new issuances of sovereign debt have been increasingly inclusive of CACs. For example, during the period August 2003-April 2004, 11 emerging market[13] bond issuances under the New York Law included CACs. Of those 11 countries, one is a member of the OIC, namely Turkey. As seen in the previous section, for some of the OIC member countries, bond financing from the international market is becoming more important. Hence, as the practice of CACs has been widely demanded by a number of agents of the international financial network, the integration of such clauses would become an issue of concern for the OIC countries as they issue sovereign bonds in the international market. When the OIC countries are examined in this regard, it is noticed that in addition to Turkey, Egypt, Lebanon and Qatar included terms of CACs in their issuances done in 2000-2001[14]. Thus, as this inclusion tends to become a market practice, it should be expected that more OIC countries which are to use international bond financing are likely to follow this practice.

As the share of sovereign debt increases, it should be noted that the designs of those CACs are not standard with respect to the specific

[13] IMF, 2004d, p. 3.
[14] IMF, 2003c, p. 5.

terms. However, neither the inclusion of CACs into the contracts nor the non-standardisation of the terms seems to significantly affect the risk premium on the bonds of the country concerned. So, it is evident that introducing the relevant terms neither puts extra burden on the sovereigns nor entails any extra benefits.

Furthermore, the terms under which a restructuring case applies are on issuance basis rather than on the whole debt stock of sovereigns. Thus, it should be expected that even if the practice becomes a common one or a rule imposed by market expectations, it would take some time to reach a debt stock with a 100-percent CACs. Another shortfall of the CACs is that they do not provide the aggregation of voting across instruments issued by a sovereign, rather than leading the creditors to negotiate on an issuance basis. Therefore, one of the risks implied in the CACs system of debt restructuring, in the absence of supporting mechanisms, is the decline of a great majority of creditors to enter in a restructuring process hoping to collect the amount they claim based on the original provisions of the issuance contract.

In this context, as a remedy to certain failure risks inherent to sovereign debt restructuring efforts through CACs, an approach to develop the guidelines of a voluntary Code of Good Conduct was welcomed by the G-7, international institutions and market participants. The working group, which was led by the Banque de France and Institute of Finance, has been studying the principles of information sharing and transparency, creditor-debtor dialogue and cooperation, good will actions during the restructuring process, and equal treatment to the participants of the process since 2003. Although the studies on the Code are still in progress, the latter might not eventually work as a strong complementary mechanism for the sovereign debt restructuring process due to its voluntary nature, but rather remains as a weak rule-set of goodwill actions.

3.2. Expiration of the Contingent Credit Line Facility

Contingent Credit Line (CCL) is a short-term preventive facility established by the IMF in 1999 with the aim of preventing a contagion incidence in the face of global crises. Actually, the notion of providing the member countries with a special facility against the risks of speculative attacks goes back to the 1990s. At that time, the internally

debated facility was given the name "Short-Term Financing Facility (STTF)" by the IMF. However, the STTF was never provided for the use of the member countries due to problems of assessing the need correctly. However, during the Asian financial crises of 1997-1998 when the risk of contagion threatened the stability of the global financial system, the need for creating a facility was more evident. Thus, eliminating the adverse effects of external shocks on economies which could otherwise operate well was the intention while constructing the CCL and putting it into implementation by the spring 1999. The basic motivation of the facility, to distinguish it from other types of financial means provided by the Fund, was its mission of meeting extraordinary financial needs under the IMF's eligibility assessment of the most recent Article IV surveillance of the country that demands it.

As CCL received no request from any country starting from the first date it was initiated, a number of modifications was made by the IMF on the original scheme in November 2000 with the aim of making it more attractive. The modifications were related to reducing the formalities of the initial requirements criteria, enhancing the activation of the facility and lowering the initial surcharge of using the facility from 300 to 150 basis points and the commitment fee that the recipient country is charged from 25 to 10 basis points in excess of 100 percent of quota[15].

The criteria for member countries' qualification to use the facility are challenging. For example, the candidate country is required to pursue sound and strong policies and is expected to have no need for an assistance from the IMF except that due to the contagion risk. Another criterion is making good progress in policies toward internationally accepted standards as well as commitment to a satisfactory macroeconomic and financial programme and their assessment by the Fund. Good relations with private creditors on a goodwill basis which reduce the risks of external vulnerability are also needed.

Even after the modifications made on the CCL in 2000, no use of it was reported. One reason is that it requires a strong economic position even during the crisis situation. Another possible risk factor attached to the facility is related to the market sentiment. The market's perception of the economy using CCL might turn negative so that the applicants'

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[15] IMF, 2003; p. 7.

will to use the facility is also hindered. Another reason for the lack of demand for the facility might be attributable to the ameliorating global conditions which reduced the need of countries for such a facility.

As the CCL was not used by any country, it was subjected to another review by the IMF in 2003. Having discussed the results of the review related to the CCL as well as the options of extending, modifying or terminating the facility on its meeting of 26 November 2003, the Executive Board of the IMF fell short of the necessary 85 percent majority vote for any of the other two options, which lead to the expiry of the facility on 30 November 2003 due to the relevant automatic clause.

Following the termination of the CCL, the possible ways of satisfying the need of providing precautionary means of financing in the face of a contagion are being discussed. Discussions are concentrated on extending necessary lines for precautionary purposes within the framework of exceptional access facility[16]. One side of the argument favours a new design of exceptional access policy within the domain of precautionary assistance whereas the other argument rests upon extension of the already existing exceptional access criteria to include a measure of contagion prevention. To this end, the use of the facility named the Supplemental Reserve Facility (SRF) was suggested. SRF is a facility that was established in 1997 to provide a large-scale financial assistance to the countries experiencing balance of payments problems due to sudden loss of market confidence. While determining the level of SRF, other financing means received by the distressed economy from other creditors are taken into consideration by the IMF.

3.3. Follow-up to the Implementation of the Monterrey Consensus

The International Conference on Financing for Development, which was held in Monterrey, Mexico, in March 2002, is an important link between the financial architecture and developmental concerns. The Monterrey Consensus, which was adopted by the said Conference, combines developmental issues and external trade with the financial architecture

[16] "Exceptional Access" is the term which defines any lending whose access is above 100 percent quota on an annual basis or above 300 percent of the quota cumulative, (IMF, "Access Policy in Capital Account Crises-Modifications to the Supplemental Reserve Facility and Follow-Up Issues Related to Exceptional Access Policy", 2003, p. 5).

and reflects a balanced view implying the coherence of the matters. Thus, in compliance with paragraph 72 of the Consensus, the UN published a report on the follow-up and implementation on 16 August 2004. This sub-section aims to reflect the important views expressed in the mentioned document and highlight the recent situation in the OIC member countries.

Table 4: Net Foreign Direct Investment (Million US$)

	2000	**2001**	**2002**
OIC-LDCs	1,479.0	1,555.3	2,655.5
OIC-MDCs	6,145.0	9,277.0	9,115.0
OIC-FECs	1,624.0	2,788.0	3,938.0
OIC-Total	9,248.4	13,620.3	15,708.5
Developing Countries	162,170.0	175,035.0	147,086.0
Share of OIC in developing countries' total (%)	5.7	7.8	10.7

Source: SESRTCIC Annual Economic Report, 2004.

In the section titled "mobilising domestic financial resources for development", the follow-up report expresses concern that despite the increased level of governance and fiscal management, the developing countries are still vulnerable to external shocks in the global economy. In addition, despite the vivid global growth conditions, the high unemployment levels in many developing countries are underlined. On the other hand, in the section titled "mobilising international resources for development: foreign direct investment and other private flows", attracting FDI, which is concentrated in larger emerging markets, to the least-developed countries is recognised as a major challenge. To this end, the development of the physical infrastructure is expressed as one of the important factors to attract FDI to the developing countries in collaboration with the public and private sectors. When the issue of attracting foreign direct investment to the OIC member countries is considered, it is observed that the OIC-MDCs is the best performing group among the three OIC sub-groups[17] (Table 4). Of the three sub-groups, the OIC-LDCs is the one which attracted the least amount of net FDI. However, when the OIC total is considered, it is evident that during the period under analysis, the total volume of net FDI increased markedly. This remarkable increase, combined with the fall in the FDI

[17] **LDCs:** Least Developed Countries; **MDCs:** Medium Developed Countries; **FECs:** Fuel Exporting Countries.

flow toward the developing countries, helped increase the share of the OIC total in the net FDI flow to the developing countries from 5.7 in 2000 to 10.7 percent in 2002. Despite the increase in the share throughout the last two years, the OIC countries still need a higher volume of FDI to finance their development. Consequently, importance should be given by those countries to the recommendations of the follow-up report in this regard and their implementation.

The section titled "international trade as an engine for development" recalls the commitment on eliminating subsidies on agricultural commodity exports, for which no date has been specified. Recalling the liberalisation of textile trade in 2005 and the little progress made to this end by the developing countries, the risk of market disruptions following the start of the implementation is also underlined. In addition, the follow-up report draws attention to the increasing number of regional trade agreements and emphasises their role and the other functions they assume in regulatory standard setting and leading the member countries to adopt higher standards in the areas of investment, competition, government procurement, environment and labour standards. Finally, this section focuses on the instability of the world commodity prices and the need for restructuring and strengthening commodity sectors in the commodity exporting countries.

Table 5: Total Merchandise Exports (FOB, Million US$)

	2000	**2001**	**2002**
OIC-LDCs	15,801.0	15,554.0	15,848.0
OIC-MDCs	244,615.0	231,309.0	248,445.0
OIC-FECs	266,828.0	247,660.0	238,579.0
OIC-Total	527,244.0	494,523.0	502,872.0
Developing Countries	2,334,700.0	2,221,900.0	2,394,300.0
Share of OIC in developing countries' total (%)	36.7	36.2	37.3

Source: SESRTCIC Annual Economic Report, 2004.

In this context, it would be useful to present some basic facts on the exports of the OIC countries (Table 5). The export performances of the medium-developed OIC countries (OIC-MDCs) and the fuel-exporting OIC countries (OIC-FECs) compete throughout the years while that of the least-developed OIC countries (OIC-LDCs) is much weaker. Altogether, the OIC countries, as a group, realised 37.3 percent of the

total exports of the developing countries in 2002. Despite this overall performance, the problem of the OIC countries in this regard is that the bulk of their exports is concentrated in a few countries where 7 countries only account for almost 60 percent of the total exports[18]. This implies that there is still a need for export diversification in many countries in order to achieve a better integration into the world economy.

Under the section titled "increasing international financial and technical cooperation for development", the follow-up report elaborates on Official Development Assistance (ODA) and points to the slight increase in the share of ODA in the gross national income (GNI) of the donor countries. However, it underlines the low level of that assistance in relation to the UN ODA targets for the LDCs. Regarding the latest commitments made by the OECD's Development Assistance Committee (DAC), it is explicitly stated that in 2006, ODA is expected to reach US$ 77 billion, a 32 percent increase in real terms compared to 2002. However, the report calls for a further substantial increase in ODA to the developing countries to at least twice its 2001 levels in order to achieve the Millennium Development Goals (MDGs). As far as the OIC member countries are concerned, it is observed that the OIC-LDCs collected between 49.5 and 54.6 percent of the ODA among all LDCs during the period 2000-2002 (Table 6).

In the "external debt" section of the follow-up report, the self-insurance function of reserve accumulation against external financial stability is mentioned. It also refers to the number of Heavily Indebted Poor Countries (HIPC) and the importance of the Paris Club in the HIPC Initiative. Furthermore, for the countries which have emerged from the HIPC process and for other low-income countries, the debt sustainability approach proposed jointly by the World Bank and the IMF is mentioned. Recalling the financial stability and debt sustainability as important factors for crisis prevention, the Financial Sector Reform Program run by the same institutions is also referred to. For the debt restructuring process, the use of CACs is encouraged. As additional means to these procedures, the issuance of more flexible external debt instruments, such as allowing real indexation or more local-currency denomination to relieve the distressed sovereign debtor, is recommended.

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[18] SESRTCIC, Annual Economic Report, 2004.

Table 6: Official Development Assistance (ODA) (Net Million US$)

	2000	2001	2002
OIC-LDCs	6,157.0	6,997.0	9,434.0
All LDCs	12,450.0	13,633.0	17,282.0
Developing Countries	35,673.0	38,650.0	45,710.0
OIC-LDCs as % of			
All LDCs	49.5	51.3	54.6
Developing Countries	17.3	18.1	20.6

Source: Unctad, 2004, p. 346.

Considering the figures on the external debt situation of the OIC member countries (Table 7), it is observed that the share of OIC external debt in that of the developing countries is around 27 percent. Of this, the major portion belongs to the OIC-MDCs. Considering the importance of external debt as a means of growth and development, its management and allocation toward productive areas are important issues that the OIC countries are recommended to take into consideration while improving standards regarding external debt management.

Table 7: Total External Debt (Million US$)

	2000	2001	2002
OIC-LDCs	72,384.6	68,887.6	74,201.6
OIC-MDCs	478,954.0	468,895.0	502,789.0
OIC-FECs	76,351.0	71,800.0	72,000.0
OIC-Total	627,689.0	609,582.6	648,990.6
Developing Countries	2,304,964.0	2,266,744.0	2,338,848.0
Share of OIC (%)	27.2	26.9	27.7

Source: SESRTCIC Annual Economic Report, 2004.

Finally, in the section titled “addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development”, inter alia, the need for the formal representation of the developing countries in the Basel Committee on Banking Supervision (BCBS) is reiterated. This is important in terms of the standards developed by the BCBS and the implications of their implementation for the developing countries as briefly discussed in the following section.

4. OTHER INITIATIVES TAKEN BY THE INTERNATIONAL COMMITTEES AND THE FINANCIAL STABILITY FORUM

The global financial architecture is being shaped by a number of international institutions, committees and fora. The committees formed under the Bank of International Settlements, International Organisation of Securities Commission (IOSCO) or Financial Stability Forum (FSF) might be given as examples to such bodies. In this section, selected studies, debates or recommendations made by a few of those bodies are considered.

Committee on Payment and Settlement Systems (CPSS)

- The CPSS and IOSCO published in March 2004 a joint report entitled "Recommendations for Central Counterparties". The report sets standards for risk management by a central counterparty, meaning the central parties which become the buyer to the seller and vice versa in financial transactions. Thus, the study aims to eliminate risks relating to the securities settlement systems.

Financial Stability Forum (FSF)

- In its meeting which was held in Rome on 29-30 March 2004, the FSF discussed three topics: vulnerabilities in the international financial system; offshore financial centres; and market foundations and corporate governance. Relating to the first topic of vulnerabilities, the Forum expressed an optimistic view regarding the financial markets. For the second topic, strengthening regulatory and exchange standards at the off-shore centres was discussed. Finally, related to the last topic, the Forum applauded the reforms on the audit-related standard setting activities adopted by the International Federation of Accountants (IFAC). The proposal by IFAC also comprised creating an independent Public Interest Oversight Board to monitor progress in this regard. On the other hand, the Forum noted the improvements of the related standards made by the International Accounting Standards Board (IASB). Lastly, IOSCO's decision to formulate a code of conduct for credit rating agencies was applauded.

Basel Committee on Banking Supervision (BCBS)

- Compliance with the laws, rules and standards is important for banks as the failure in application in this field bears financial and

reputational risks. Hence, calling this as the compliance risk, the BCBS published in October 2003 a document entitled "The compliance function in banks".

- In January 2004, the BCBS published a document entitled "Modifications to the capital treatment for expected and unexpected credit losses". This paper describes how expected losses are to be treated in the internal ratings-based (IRB) approach.
- In January 2004, the BCBS published another document entitled "Changes to the securitisation framework". This study aims at commenting on the ways to revise the IRB approach related to securitisation risks.
- In January 2004, the BCBS published another document entitled "Principles for home-host recognition of Advance Measurement Approach (AMA) for operational risk capital" which is a study of defining how a banking organisation should calculate the operational risk capital requirements of the subsidiaries.
- In June 2004, the BCBS finalised a Revised Capital Framework (Basel II Accord) to replace the capital measurement system that was introduced in 1988 known as the Basel Capital Accord (Basel I). BCBS members are expected to follow the simpler methodology out of the ones proposed by the BCBS by the end of 2006. After that, they are likely to shift to the application of the more sophisticated methodologies by the end of 2007 while completely adopting the new framework after the end of 2009.

Despite the new and improved methodologies it comprises, the Basel II Accord brings a number of hardships when the situation of some of the developing countries is considered. As an important portion of the developing countries are still far from pursuing the criteria introduced by the BCBS in the "Core Principles for Effective Banking Supervision"[19] published in 1997 and developed in 1999 under the title "Core Principles Methodology", it is hard to comply with the state of the art contained in Basel II. Hence, in the quest for developing the international financial architecture, the pragmatic approach would be to

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[19] "...50 percent of the countries are compliant only with a maximum of 10 of the 30 Basel Core Principles (BCPs)...and one third are compliant only with a maximum of 5 BCPs" (Powell, A., 2004, p. 4).

bring or help bring the developing countries to follow the guidelines laid in the Basel Core Principles first.

Table 8: Ratio of Bank Regulatory Capital to Risk Weighted Assets (%)

	Bank Regulatory Capital to Risk Weighted Assets (%)				Bank Provisions to Non-performing Loans (%)			
	2000	**2001**	**2002**	**2003**	**2000**	**2001**	**2002**	**2003**
Bangladesh	6.7	6.7	7.5	...	59.1	60.5	55.8	....
Egypt	...	...	...	...	....	....	....	....
Indonesia	21.6	18.2	20.1	22.3	88.8	94.0	119.6	143.2
Jordan	19.4	17.4	16.7	15.9	34.6	36.4	36.7	38.9
Kuwait	22.2	22.0	19.7	18.4	50.1	53.7	64.3	72.4
Lebanon	16.9	18.0	19.4	22.3	72.5	69.3	68.2	73.3
Malaysia	12.5	13.0	13.2	13.7	41.0	37.7	38.1	38.9
Morocco	12.8	12.6	12.2	10.1	45.7	53.0	57.1	66.5
Nigeria	17.5	16.1	...	...	49.7	73.6	60.9	....
Oman	16.5	15.6	16.9	...	71.9	68.5	79.7	....
Pakistan	11.4	11.3	12.6	11.1	53.9	53.2	58.2	64.7
Saudi Arabia	21.0	20.3	18.7	19.0	99.0	107.0	110.4	118.9
Tunisia	13.3	10.6	10.6	...	....	....	....	....
Turkey	9.3	20.8	25.1	30.9	63.1	48.9	64.2	88.5
U.A.E.	20.2	20.0	18.9	18.2	....	....	....	....
Uganda	20.5	23.1	23.7	20.5	50.5	....	....	....

Source: IMF, GFSR, 2004b, pp. 216, 217, 222, 223.

Table 8 presents the ratio of the bank's regulatory capital to risk weighted assets and the ratio of provisions to the non-performing loans in the OIC member countries for which the data are available. The two ratios might be used as proxy for the capital adequacy of the OIC member countries along the Basel criteria of capital adequacy. The figures indicate that except for Bangladesh, the other members are successful enough to attain relatively high capital ratios compared to their asset risks. However, it is worth noting that throughout the period, while only two member countries, namely Turkey and Lebanon, were able to raise their bank capital compared to their weighted risks, the banking sectors of Jordan, Kuwait, Morocco, Saudi Arabia, Tunisia and the UAE could not keep up the capital ratio, and the banking sectors of member countries such as Malaysia, Indonesia, Pakistan and Uganda were able to retain a certain level. On the other hand, it is observed that Indonesia and Saudi Arabia appear as countries whose banking sectors

work on comparatively high provisions. In contrast, Jordan spares the lowest provisions in relation to its non-performing loans. In addition, Indonesia, Kuwait, Lebanon, Morocco, Turkey, Pakistan and Saudi Arabia can be distinguished as OIC member countries whose banking sectors have steadily increasing provisions compared to the non-performing loans during the period under analysis. Thus, when the information reflected by both parameters are combined, it can be concluded that the OIC member countries are taking the necessary steps to strengthen their financial sectors. Such an effort, on the other hand, gives hope regarding the member countries' convergence to the internationally-set criteria in relation to the establishment of a sound financial system.

5. CONCLUSION

Current global crises emerge through the capital account channel with a contagion effect. Thus, in order to minimise the excessive costs of the new generation of crises, taking preventive steps and developing means, standards, facilities and mechanisms to this end have gained priority. In this task of preventing crises worldwide, surveillance and monitoring the developments in order to determine the risks while they are still low are no less important than devising new mechanisms to enhance the international financial architecture. Evaluating the risk factors likely to develop and monitoring the newly established mechanisms in this regard are also important for the member countries of the Organisation of the Islamic Conference (OIC) in their efforts to integrate into the world economy. From this perspective, the 27th Islamic Conference of Foreign Ministers (ICFM), held in 2000 in Kuala Lumpur, Malaysia, requested the SESRTCIC to follow up this matter and prepare a report on it.

A first step for monitoring should be to take a close look at the global financial developments and emerging financing conditions. This is important because the direction taken by those developments indicates the global risks likely to emerge. In this context, this report considers such developments since 2000 and then reviews the advances regarding the international financial architecture.

The world economy is undergoing an expansionary phase which accelerated since the second half of 2003. The underlying conditions of the current robust growth dynamics developed gradually beginning with

the last years of the 1990s owing to the accommodative monetary policies. Such policies were accompanied by declines in the interest rates beginning in 2001. As the yields in the mature markets lowered due to the fall in the interest rates, the liquidity available in the global financial markets also became abundant. Those developments led the international investors to re-discover the emerging market assets. On the other side of the coin, the developing countries, being able to find an increased amount of accessible funds in the global market, found themselves in a better position to finance their growth with more funds at low yields.

Considering the favourable conditions in the global markets, the gross issuance of the total amount of bonds, equities and loans increased to US$ 197.9 billion in 2003, marking the highest issuance compared to the two preceding years. The relative importance of bond issuance compared to that of loans increased in 2000-2003. In addition to gross issuance, when the amortisation and net debt issuance of the emerging market debt instruments are considered, it is noticed that in the years 2001 and 2002, almost all debt issuance was used to amortise the loans. Despite high amortisation, as the liquidity directed to such markets increased, the net volume of fund using increased.

In the case of the OIC countries, it is observed that their share in the total emerging market financing was 15.9 percent by the end of 2003. When the total of the first two quarters of the year 2004 is considered, where due to the tightening signals international investors adjusted their portfolios, it is noticed that the ratio of the OIC countries was realised as 16.6 percent. Although the share of bond issuance relative to loans for the total emerging market financing increased throughout the period of 2000-2003, the OIC countries followed the opposite direction: their relative share of loan financing with respect to bond financing increased. When the equity financing in those countries is observed, it is noticed that both its level and share are still far from satisfactory in relation to the total emerging market performance.

As liquidity became abundant and global growth accelerated, the imbalances in the financial markets developed. Hence, in order to eliminate the possible risks, the adept management of those imbalances became important. In this context, one of the important players in the global economy, the Federal Reserve (FED), started in April 2004

through signals of interest rate increases. Then beginning by June 2004, the FED increased the federal funds rate, the short-term interest rate, in three consecutive steps from 1.00 percent to 1.75 percent.

When the risks to the financial markets are considered, in the presence of robust global conditions and upward pressures on the commodity prices, inflationary pressures might be mentioned. However, the risk hidden in the rapid increases in interest rates is related to the management of the imbalances as elaborated in the text. The expected tightening of funds in the financial markets would give way to a more selective approach with relatively higher spreads on the part of international investors while making funds available to emerging markets.

In addition to the developments and risks contained in the global financial conditions, the Report also considers the recent important advances in the international financial architecture. One such topic is the Collective Action Clauses (CACs) which give creditors and the distressed sovereign a chance to implement the orderly settlement of debt problems by performing modifications on the initial terms of the contract, in the presence of a qualified majority vote, into the bond issuance contracts.

Since 2001, the share of bonds, including CACs, both in the total number of emerging market issuances and total volume under different jurisdictions, jumped in 2003. When issuances made in the third quarters of the recent years are considered, it is observed that this trend accelerated in 2004. In addition, when the outstanding debt as of 23 September 2003 is traced, it is noticed that 43 percent of the issuances up to the mentioned date and 41 percent of the volume of debt now include CACs under different jurisdictions. On the other hand, new issuances of the sovereign debt including CACs have been increasing. For example, during the period August 2003-April 2004, 11 emerging market bond issuances under the New York Law included CACs, one of which (Turkey) is a member of the OIC. However, Egypt, Lebanon and Qatar also included terms of CACs in their issuances done in 2000-2001.

Another important development in the global financial architecture is a precautionary means of financing called the Contingent Credit Line

facility (CCL). Since the facility was established by the IMF in 1999, no country utilised it. As CCL was not used, it was subjected to a review by the IMF in 2003. Having discussed the results of the review related to the CCL as well as the options of extending, modifying or terminating the facility in its meeting of 26 November 2003, the Executive Board of the IMF fell short of the necessary 85 percent majority vote for any of the other two options and let the facility expire on 30 November 2003 due to the relevant automatic clause.

On the other hand, the Report aims to review the main points in the follow-up report to the Monterrey Consensus and attempts to link it to the situation prevailing in the OIC countries.

According to the section entitled “mobilising domestic financial resources for development” of the follow-up report, despite the steps taken toward increasing governance and fiscal management, the developing countries’ vulnerability to the global shocks is underlined. In the section entitled “mobilising international resources for development: foreign direct investment and other private flows”, attracting FDI, which is concentrated in larger emerging markets, to the least-developed countries is recognised as a major challenge. When FDI flows to the OIC countries are considered, the indications in the follow-up report are verified as the OIC-LDCs require a much higher flow of FDI to finance their development. On the other hand, as to “external debt”, the follow-up report recalls debt sustainability and financial stability as important pillars of crisis prevention. When the situation in the OIC member countries in this regard is observed, it is noticed that the amount of this liability amounted to USD 649 billion in 2002. Reaching such a level, external debt constitutes a burden especially on the OIC-LDCs and OIC-MDCs. With this amount composing 27 percent of the total external debt burden of the developing countries, its management should be an important concern for the OIC countries.

The Report reviews the other studies and initiatives undertaken by the concerned international committees. Among them, the Revised Capital Framework, Basel II Accord, which was finalised by the BCBS in June 2004, is a milestone after the introduction of the Basel I in 1988. The BCBS members are expected to fully apply the New Accord after the end of 2009. At the same time, it is suggested that the OIC countries comply more with the Basel Core Principles criteria which might be

defined as a preliminary step in enhancing the supervisory capacities. Such an effort gives hope regarding the member countries' convergence to the internationally set criteria in relation to the establishment of a strong and resilient financial system.

In the light of the developments related to the reshaping of the international financial architecture, as explained above, the following recommendations could be put forward for consideration by the OIC member countries to reap the maximum benefit from those developments.

- In order to stabilise their share of fund using from the international financial markets in the face of a possible tightening up of international liquidity, it is recommended that member countries continue with restructuring their economies as well as implementing sustainable macroeconomic policies,
- As the primary commodity producing member countries are expected to benefit financially from the sustained higher prices due to the robust global growth conditions, they are recommended to take this as an advantage in restructuring their economies,
- OIC-LDCs are recommended to make use of the Monterrey Consensus follow-up meetings to call upon the ODA donor countries to fulfill their commitments,
- As external debt is an important means of growth and development, its management and allocation toward productive areas are important issues that the OIC countries are recommended to take into consideration while improving standards in this regard,
- As mentioned in the "systemic issues" section of the Monterrey follow-up document, a scheme/mechanism supporting the needs of development finance to increase public and private investments should be studied,
- As the criteria on banking supervision and regulation developed by the BCBS become an important reference in applications, the OIC countries should, in order to have a say in the criteria

setting, get more involved in the process through making firm contributions to the technical surveys as well as searching for other means of involvement,

- OIC member countries are called upon to play a more active role in the whole process of reshaping the global financial architecture as well as in the process of the formulation of a Code of Good Conduct to be able to integrate their views into the sovereign debt restructuring process.

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ANNEX

Issuance of OIC Countries by type of Assets
(Millions US$)

					2003		2004	
	2000	2001	2002	2003	Q1	Q2	Q1	Q2
Algeria	**....**	**50.0**	**150.0**	**40.0**	**40.0**	**....**	**....**	**....**
-Bonds	....	....	....	....	....	....	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	....	50.0	150.0	40.0	40.0	....	....	....
Azerbaijan	**....**	**16.0**	**....**	**....**	**....**	**....**	**997.0**	**....**
-Bonds	....	....	....	....	....	....	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	....	16.0	....	....	....	....	997.0	....
Bahrain	**1,391.0**	**207.0**	**665.0**	**1,750.0**	**500.0**	**1,250.0**	**....**	**....**
-Bonds	188.5	....	325.0	750.0	500.0	250.0	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	1,202.5	207.0	340.0	1,000.0	....	1,000.0	....	....
Brunei	**....**	**....**	**129.0**	**.....**	**....**	**....**	**....**	**....**
-Bonds	....	....	....	....	....	....	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	....	....	129.0	....	....	....	....	....
Cameroon	**....**	**53.8**	**....**	**100.0**	**....**	**100.0**	**....**	**....**
-Bonds	....	....	....	....	....	....	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	....	53.8	....	100.0	....	100.0	....	....
Chad	**....**	**400.0**	**....**	**....**	**....**	**....**	**....**	**....**
-Bonds	....	....	....	....	....	....	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	....	400.0	....	....	....	....	....	....
Côte d'Ivoire	**....**	**15.0**	**....**	**....**	**....**	**....**	**....**	**....**
-Bonds	....	....	....	....	....	....	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	....	....	....	....	....	....	....	....
Egypt	**919.4**	**2,545.0**	**670.0**	**155.0**	**....**	**....**	**200.0**	**....**
-Bonds	....	1,500.0	....	....	....	....	....	....
-Equities	319.4	....	....	....	....	....	....	....
-Loans	600.0	1,045.0	670.0	155.0	....	....	200.0	....
Indonesia	**1,283.1**	**964.9**	**974.0**	**5,486.8**	**2,927.5**	**686.7**	**2,158.0**	**95.1**
-Bonds	....	125.0	375.0	609.0	2,927.5	416.6	1,300	25.3
-Equities	28.2	347.2	281.0	1,008.4	....	270.1	338.0	19.8
-Loans	1,254.9	492.6	318.0	3,869.4	....	....	520.0	50.0
Iran	**757.7**	**887.0**	**2,666.4**	**700.0**	**....**	**....**	**152.5**	**....**
-Bonds	....	....	986.3	....	....	....	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	757.7	887.0	1,680.1	700.0	....	....	152.5	....

Issuance of OIC Countries by type of Assets (continued)
(Millions US$)

					2003		2004	
	2000	**2001**	**2002**	**2003**	**Q1**	**Q2**	**Q1**	**Q2**
Jordan	**....**	**60.0**	**80.9**	**....**	**....**	**....**	**....**	**....**
-Bonds	....	....	80.9	....	....	....	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	....	60.0	....	....	....	....	....	....
Kazakhstan	**429.6**	**573.5**	**743.5**	**1,475.0**	**30.0**	**50.0**	**202.0**	**219.0**
-Bonds	350.0	250.0	209.0	100.0	....	....	100.0	100.0
-Equities	....	....	....	....	....	....	....	....
-Loans	79.6	323.5	534.5	1,375.0	30.0	50.0	102.0	119.0
Kuwait	**250.0**	**770.0**	**750.0**	**365.0**	**....**	**....**	**300.0**	**....**
-Bonds	....	....	750.0	200.0	....	....	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	250.0	770.0	....	165.0	....	....	300.0	....
Kyrgyzstan	**....**	**....**	**95.0**	**....**	**....**	**....**	**....**	**....**
-Bonds	....	....	....	....	....	....	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	....	....	95.0	....	....	....	....	....
Lebanon	**1,752.4**	**3,300.0**	**990.0**	**160.0**	**....**	**....**	**....**	**1,268.0**
-Bonds	1,752.4	3,300.0	990.0	160.0	....	....	....	1,268.0
-Equities	....	....	....	....	....	....	....	....
-Loans	....	....	....	....	....	....	....	....
Libya	**50.0**	**....**	**....**	**....**	**....**	**....**	**....**	**....**
-Bonds	....	....	....	....	....	....	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	50.0	....	....	....	....	....	....	....
Malaysia	**4,506.4**	**4,432.4**	**5,597.3**	**5,497.8**	**1,825.9**	**742.7**	**912.5**	**2,114.5**
-Bonds	1,419.7	2,150.0	1,880.0	962.5	....	....	325.0	550.0
-Equities	....	15.4	891.2	618.2	7.7	....	104.3	11.2
-Loans	3,086.7	2,267.0	2,826.1	3,917.1	1,818.2	742.7	483.2	1,553.3
Mali	**....**	**....**	**150.4**	**287.6**	**....**	**....**	**....**	**....**
-Bonds	....	....	....	....	....	....	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	....	....	150.4	287.6	....	....	....	....
Morocco	**56.4**	**136.1**	**....**	**474.7**	**....**	**474.7**	**....**	**....**
-Bonds	....	....	....	464.9	....	464.9	....	....
-Equities	56.4	6.8	....	....	....	....	....	....
-Loans	....	129.3	....	9.8	....	9.8	....	....
Mozambique	**....**	**200.0**	**....**	**35.5**	**35.5**	**....**	**222.4**	**....**
-Bonds	....	....	....	....	....	....	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	....	200.0	....	35.5	35.5	....	222.4	....
Niger	**....**	**....**	**....**	**27.0**	**....**	**27.0**	**....**	**....**
-Bonds	....	....	....	....	....	....	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	....	....	....	27.0	....	27.0	....	....

Issuance of OIC Countries by type of Assets (continued)
(Millions US$)

					2003		2004	
	2000	**2001**	**2002**	**2003**	**Q1**	**Q2**	**Q1**	**Q2**
Nigeria	**....**	**100.0**	**960.0**	**488.0**	**488.0**	**....**	**30.0**	**....**
-Bonds	....	....	....	....	....	....	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	....	100.0	960.0	488.0	488.0	....	30.0	....
Oman	**685.0**	**....**	**2,332.0**	**818.3**	**....**	**....**	**98.6**	**360.0**
-Bonds	....	....	....	....	....	....	....	250.0
-Equities	...	....	....	....	....	....	23.6	....
-Loans	685.0	....	2,332.0	818.3	....	....	75.0	110.0
Pakistan	**....**	**182.5**	**289.1**	**185.5**	**....**	**....**	**500.0**	**....**
-Bonds	....	....	....	....	....	....	500.0	....
-Equities	....	....	....	....	....	....	....	....
-Loans	....	182.5	289.1	185.5	....	....	....	....
Qatar	**1,980.0**	**913.0**	**1,536.7**	**880.8**	**71.0**	**53.9**	**1,1125.0**	**719.0**
-Bonds	1,400	....	....	....	....	....	665.0	....
-Equities	....	....	....	....	....	....	....	....
-Loans	580.0	913.0	1,536.7	880.8	71.0	53.9	460.0	719.0
Senegal	**....**	**....**	**40.0**	**....**	**....**	**....**	**....**	**....**
-Bonds	....	....	....	....	....	....	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	....	....	40.0	....	....	....	....	....
Saudi Arabia	**2,200.9**	**275.0**	**280.0**	**569.5**	**400.0**	**....**	**718.0**	**....**
-Bonds	....	....	....	....	....	....	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	2,200.9	275.0	280.0	569.5	400.0	....	718.0	....
Tunisia	**94.3**	**533.0**	**740.5**	**485.2**	**357.0**	**12.2**	**544.5**	**30.0**
-Bonds	....	462.0	650.0	357.0	357.0	....	544.5	....
-Equities	....	....	....	....	....	....	....	....
-Loans	94.3	71.0	90.5	128.2	....	12.2	....	30.0
Turkey	**20,385.4**	**6,405.1**	**6,376.0**	**9,349.5**	**1,728.6**	**2,412.1**	**3,128.6**	**1,320.0**
-Bonds	8,490.8	2,158.7	3,259.8	5,253.8	1,626.6	2,377.2	2,768.2	750.0
-Equities	2,423.8	....	71.4	....	....	....	106.5	....
-Loans	9,470.9	4,246.4	3,044.8	4,095.7	102.0	34.9	253.9	570.0
U.A.E.	**2,045.0**	**520.7**	**370.0**	**2,133.2**	**168.0**	**300.0**	**2,066.0**	**....**
-Bonds	....	....	230.0	....	....	....	1,400.0	....
-Equities	....	....	....	....	....	....	....	....
-Loans	2,045.0	520.7	140.0	2,133.2	168.0	300.0	666.0	....
Uzbekistan	**40.0**	**30.0**	**46.0**	**37.8**	**2.8**	**35.0**	**....**	**....**
-Bonds	....	....	....	....	....	....	....	....
-Equities	....	....	....	....	....	....	....	....
-Loans	40.0	30.0	46.0	37.8	2.8	35.0	....	....

Source: IMF, GFSR, 2004a, pp. 196, 197, 198, 199, 200, 201 and GFSR, 2004b, pp. 208, 209, 210.