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### POLICIES OF APARTHEID OF THE GOVERNMENT OF SOUTH AFRICA

#### South Africa's application for credit from the International Monetary Fund

#### Report of the Secretary-General

1. In its resolution 37/2 entitled "South Africa's application for credit from the International Monetary Fund", adopted on 22 October 1982, the General Assembly, having learned of the application by South Africa to the International Monetary Fund (IMF) for a credit of one billion special drawing rights, reiterated its request to IMF to refrain from granting any credits or other assistance to South Africa and urged States members of IMF to take appropriate action towards that end. In addition, the resolution urged the Security Council to consider the matter as soon as possible with a view to taking appropriate action. In paragraph 4 of the resolution, the Secretary-General was requested to undertake urgent consultations with IMF and to report to the Assembly as soon as possible on the implementation of the resolution.
2. Prior to the adoption of resolution 37/2, the Secretary-General, taking account of the provisions of General Assembly resolution 36/172 D of 17 December 1981 and earlier representations, had contacted IMF to convey the serious concern expressed to him by Member States on this latest development.
3. On 27 October 1982, the Secretary-General addressed a telegram to the Managing Director of IMF, transmitting the text of resolution 37/2 and requesting that it be brought to the attention of the members of the Board of the Executive Directors of IMF, the organ of IMF charged with the responsibility for deciding on requests by members of the Fund for the use of the Fund's resources, before a decision was taken on the pending application of South Africa. In addition, the Secretary-General indicated his wish to consult personally with the Managing Director of IMF on the situation.
4. The Managing Director of IMF has informed the Secretary-General that the text of resolution 37/2 was circulated, upon receipt, to the Executive Board of IMF. On

1 November 1982, the Secretary-General met with the Managing Director of IMF to consult on the application of South Africa in the light of General Assembly resolutions, in particular resolution 37/2.

5. In his letter of 8 November 1982 to the Secretary-General, the Managing Director of IMF indicated, inter alia, the following:

"As you will recall, at our meeting last Monday, I took occasion to explain the rules and procedures that govern the consideration by the Fund of requests by its members for use of its resources. In that connection, I pointed out that all members are entitled to use the Fund's resources if the requested use is in accordance with the Fund's articles and relevant policies on the use of these resources; and that, as recognized by the Agreement between the United Nations and the Fund, the Fund is, and is required to function as, an independent international organization in accordance with its Articles of Agreement.

"South Africa's application for use of the Fund's resources, to which resolution 37/2 referred, was considered and approved by the Fund's Executive Board on 3 November 1982, in accordance with the rules and procedures governing such applications. At the beginning of the meeting of the Executive Board, I reported to the members of the Board my discussion with you, as well as the discussion that I had on 29 October 1982 with a delegation from the United Nations Special Committee against Apartheid.

"The approval of South Africa's application, which comprised a request for a purchase under the compensatory financing facility in an amount equivalent to SDR 636 million and a request for a stand-by arrangement in an amount equivalent to SDR 364 million, was on the basis of the conclusion reached by the Executive Board that the requests fully met the requirements of the Fund's articles and the policies on the use of the Fund's resources under which the requests were made. I enclose a copy of the press release issued at the end of the Executive Board meeting (see annex).

"I should stress that the approval of the requests made by South Africa, which was based on an evaluation of the relevant economic and financial policies, should not be taken to mean that the Fund, or the members that have appointed or elected the Executive Directors who have supported South Africa's requests, endorsed other policies of South Africa.

"I should like to take this opportunity to state that the Fund greatly values its relationship with the United Nations and the organizations within the United Nations system, and that it is our intention to continue to co-operate with the United Nations in accordance with the Agreement between our two organizations, to the fullest extent compatible with the Fund's responsibilities under its Articles of Agreement."

6. In a note by the Secretary-General dated 22 October 1982 (S/15463), the text of General Assembly resolution 37/2 was transmitted to the Security Council and its attention was drawn to paragraph 3 thereof.

ANNEX

Press release issued at the end of the meeting of the Executive Board  
of the International Monetary Fund on 3 November 1982

The International Monetary Fund has agreed to the use of its resources totalling the equivalent of SDR 1,000 million by the Government of South Africa. Of the total, SDR 364 million, or 57.2 per cent of South Africa's quota in the Fund, may be drawn over the period extending to the end of 1983 under a stand-by arrangement in connection with the Government's economic adjustment programme. An amount of SDR 636 million, or the equivalent of 100 per cent of quota, is available immediately under the compensatory financing facility.

The Fund's compensatory financing facility provides financial assistance to member countries encountering balance-of-payments problems caused by temporary shortfalls in their export proceeds that are attributable to factors largely beyond their control. The drawing by South Africa is in respect of a shortfall in the country's export earnings for the 12 months ended June 1982. During this period, South Africa's total export earnings fell 13 per cent below the average level of the two preceding years. The shortfall is accounted for by declines in export receipts for gold, the country's major export commodity, and non-gold exports such as diamonds, uranium, platinum, nickel, copper, iron ore, citrus fruit, wool, and karakul pelts. Altogether, the shortfall is estimated at SDR 1,099 million with non-gold exports contributing SDR 752.4 million.

After vigorous growth and a strong balance of payments in 1980, South Africa's economic performance fell away in 1981. Real economic growth, which had reached 8 per cent in 1980, slowed to 5 per cent in 1981, and the balance of payments on current account swung from a surplus of SDR 3 billion in 1980 to a deficit of SDR 3.6 billion in 1981. The main causes of this deterioration were the decline in the price of gold, weaker markets for other exports, and excessive domestic demand, the latter reflecting a delay in implementing strong adjustment policies. These policies were strengthened substantially in early 1982. They included a sharp increase in interest rates to positive real levels; the containment of the over-all budget deficit through a decline in real spending and significant tax increases; and a substantial depreciation of the rand. Although these measures have begun to curtail import demand, the balance of payments continued to deteriorate in the first half of 1982, mainly because of a further weakening of export markets and the decline in gold price.

The Government's economic and financial programme aims at reducing the current account payments deficit from nearly 6 per cent of gross domestic product (GDP) estimated for 1982 to 2 per cent in 1983. The principal instruments for achieving this objective will be domestic financial restraint and flexible exchange rate policy. A number of monetary policy initiatives have recently been introduced to strengthen control over the monetary aggregates and, for the programme period, the growth of broad money (M3) has been targeted well below the expected rate of inflation while the growth of domestic bank credit is to be contained within tight limits. Measures in the monetary field will be supported by fiscal measures. In order to offset expenditure overruns, the authorities have recently raised the

general sales tax and for 1983/84 they intend to reduce the budget deficit to about 2 per cent of GDP and to finance it entirely outside the banking system. Total spending will again be reduced in real terms, but the authorities will ensure that training and infrastructural programmes designed to ease medium-term constraints on growth will be less affected than other public expenditures. The authorities also announced their intention to phase out completely by the end of 1983 a 10 per cent surcharge on certain imports that had been introduced last February.

South Africa is an original member of the Fund and has, in the past, made use of the Fund's resources, the last occasions being 1976 and 1977, when it drew under the compensatory financing facility and under two stand-by arrangements, totalling SDR 160 million and SDR 232 million, respectively. These amounts were subsequently repurchased, and presently South Africa has no outstanding purchases from the Fund.

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