

INTERNATIONAL MONETARY FUND

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The International Monetary Fund has approved a lengthening by a year of the three-year extended arrangement approved on August 15, 1985 for the Government of Chile and augmented the size of the arrangement from the equivalent of SDR 750 million to SDR 825 million. The additional resources can be drawn over the course of the next 12 months in support of the Government's 1988-89 economic program, which aims at a growth rate of about 5 percent and a further reduction in the rate of inflation. The program will maintain the basic thrust of financial policies under the current extended arrangement, preserve external competitiveness, and deepen the process of structural reform. Chile's quota in the Fund is SDR 440.5 million and its outstanding financial obligations to the Fund arising from past operations and transactions currently total the equivalent of SDR 1,005.2 million.

The Fund's action represents the first case of a lengthening of an existing extended arrangement, following the Executive Board's modification of the extended fund facility (EFF) and of the enlarged access policy in June 1988 to enhance Fund support of medium-term adjustment efforts. In addition to the possibility of lengthening an arrangement to four years, the Executive Board decision on the EFF adopted changes in the modalities that would tend to reduce effective charges on the use of resources under the facility and lengthen the maturity of purchases, and permit the possibility of establishing a six-month schedule of disbursements and performance criteria.