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International Monetary Fund
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IMF Approves Supplemental Reserve Facility

The International Monetary Fund (IMF) has approved the Supplemental Reserve Facility (SRF). This facility has been put in place to provide financial assistance to a member country experiencing exceptional balance of payments difficulties due to a large short-term financing need resulting from a sudden and disruptive loss of market confidence reflected in pressure on the capital account and the member's reserves. Assistance under the facility will be available when there is a reasonable expectation that the implementation of strong adjustment policies and adequate financing will result, within a short period, in an early correction of the balance of payments difficulties. This facility should be seen in the context of the IMF's ongoing efforts to strengthen its surveillance and encourage members to implement appropriate policies in order to prevent crises from occurring.

When approving a request for the use of IMF resources under this Decision, the IMF will take into account the financing provided by other creditors. In order to minimize moral hazard, a member using resources under this Decision would be encouraged to seek to maintain participation of creditors, both official and private, until the pressure on the balance of payments ceases. In this connection, the IMF intends to bring to completion at an early date ongoing studies of mechanisms which could effectively limit the need for official financing in cases of crises of market confidence.

Financing under the SRF, which will be available in the form of additional resources under a Stand-By or Extended Arrangement, will be committed for up to one year and be generally available in two or more tranches. The first tranche will be available at the time of approval of the financing, which will normally coincide with the approval of the corresponding arrangement.

The IMF will determine the amount of financing available under the SRF by taking into account the financing needs of the member, its capacity to repay, including in particular the strength of its economic program, its outstanding use of IMF credit, and its record in using IMF resources in the past and cooperation with the IMF in surveillance, as well as the IMF's liquidity.

Countries borrowing under the SRF will be expected to repay within one to one and a half years of the date of each disbursement, although the Board has the authority to extend this period for repayment by up to one year, at which point the borrower will be obligated to repay. During the first year from the date of approval of financing to a country under the SRF, borrowers will pay a surcharge of 300 basis points above the rate of charge on IMF loans, which has averaged approximately 4.7 percent in 1997. This rate will be increased by 50 basis points at the end of that period and every six months thereafter until the surcharge reaches 500 basis points.