

INTERNATIONAL MONETARY FUND

MASTER FILES

ROOM C-120

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PRESS RELEASE NO. 86/9

FOR IMMEDIATE RELEASE
March 27, 1986

The Executive Board of the International Monetary Fund has taken decisions to implement the understandings of the Interim Committee of the Board of Governors on the International Monetary System concerning the use of the resources that will become available over the period 1985-91 from repayment of Trust Fund loans. At its meeting in October 1985 in Seoul, Korea, the Interim Committee agreed that these resources, about SDR 2.7 billion, should be used to provide additional balance of payments assistance on concessional terms to the low-income countries currently eligible for IDA resources that face protracted balance of payments problems and are in need of such assistance.

The Executive Board has established a Structural Adjustment Facility (SAF) that will provide balance of payments assistance in the form of loans to eligible members that present medium-term macro-economic and structural adjustment programs intended to overcome protracted balance of payments problems and foster growth. Of the 60 countries currently eligible, China and India had already indicated by the time of the Interim Committee meeting in October that they will not avail themselves of the Facility, thus leaving the total resources of the Structural Adjustment Facility available to other eligible countries.

An eligible member seeking to use resources of the Facility will develop a policy framework describing the member's medium-term objectives and the main outlines of the policies to be followed in pursuing these objectives. This medium-term policy framework will be developed jointly with the staffs of the Fund and the World Bank and will embody the general outlines of a three-year adjustment program including structural measures and delineation in broad terms of the expected path of macroeconomic policies. The framework will contain an assessment of the country's financing needs and possible sources of finance to support comprehensive economic programs, including indicative levels of financing from the Structural Adjustment Facility and the World Bank group.

Members qualifying for the use of the Structural Adjustment Facility can expect to receive an amount initially calculated at the equivalent of 47 percent of their quota in the Fund in balance of payments assistance over three years. On approval by the Fund of a three-year arrangement in support of a member's structural adjustment program, the member would have a commitment of resources to be made available in the form of loans under three annual arrangements. Upon approval of the annual arrangement for the first year, the Fund would disburse to the member the equivalent of about 20 percent of the

member's quota in the Fund. Two additional tranches, initially calculated at the equivalent of about 13.5 percent of the member's quota in the Fund, would be disbursed on approval of subsequent annual arrangements. These percentages will be determined periodically with a view to their possible enlargement.

Interest will be charged at the rate of one-half of one percent per annum on outstanding balances, payable semiannually. Repayment of each loan under the Structural Adjustment Facility will be made in ten equal semiannual installments starting five and a half years, and finishing ten years, after the date of the disbursement.

The SDR will be the unit of account for commitments, loans and all other operations under the Facility. Loans will be disbursed and repaid in U.S. dollars; arrangements may also be made for use of SDRs in disbursements and payments of interest and principal.

The Fund will review the operation of the Structural Adjustment Facility not later than May 31, 1988. The list of eligible members is attached.

Attachment

Low-Income Developing Members Eligible for Assistance Under the
Structural Adjustment Facility

Member	Quota (In SDR millions)	Member	Quota (In SDR millions)
China, P.R. of ^{1/}	2,390.9	Maldives	2.0
India ^{1/}	<u>2,207.7</u>	Mali	50.8
Subtotal	<u>4,598.6</u>	Mauritania	33.9
		Mozambique	61.0
		Nepal	37.3
Afghanistan	86.7	Niger	33.7
Bangladesh	287.5	Pakistan	546.3
Benin	31.3	Rwanda	43.8
Bhutan	2.5	St. Christopher & Nevis	4.5
Bolivia	90.7	St. Lucia	7.5
Burkina Faso	31.6	St. Vincent	4.0
Burma	137.0	Sao Tome and Principe	4.0
Burundi	42.7	Senegal	85.1
Cape Verde	4.5	Sierra Leone	57.9
Cent. African Rep.	30.4	Solomon Islands	5.0
Chad	30.6	Somalia	44.2
Comoros	4.5	Sri Lanka	223.1
Djibouti	8.0	Sudan	169.7
Dominica	4.0	Tanzania	107.0
Equatorial Guinea	18.4	Togo	38.4
Ethiopia	70.6	Uganda	99.6
Gambia, The	17.1	Vanuatu	9.0
Ghana	204.5	Viet Nam	176.8
Grenada	6.0	Western Samoa	6.0
Guinea	57.9	Yemen Arab Republic	43.3
Guinea-Bissau	7.5	Yemen P. D. R.	77.2
Guyana	49.2	Zaire	291.0
Haiti	44.1	Zambia	<u>270.3</u>
Kampuchea, Democratic	25.0	Subtotal	<u>4,186.0</u>
Kenya	142.0	Total	<u>8,784.6</u>
Lao, P.D.R.	29.3		
Lesotho	15.1		
Liberia	71.3		
Madagascar	66.4		
Malawi	37.2		

^{1/} China and India have indicated that they do not intend to make use of SAF resources.

