

INTERNATIONAL MONETARY FUND

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The International Monetary Fund has established a new concessional lending facility, the Enhanced Structural Adjustment Facility (ESAF), expected to provide new resources totaling SDR 6 billion (US\$8.4 billion) bringing to SDR 8.2 billion (US\$11.4 billion) its resources for helping its poorest member countries undertake strong three-year macroeconomic and structural programs to improve their balance of payments positions and foster growth. The additional resources are designed in particular to assist the adjustment efforts of low-income countries faced with high levels of indebtedness as well as those whose exports are concentrated in commodities -- often one commodity -- whose prices have remained persistently weak in world markets.

Special loans and contributions from a wide range of countries will be made available to the new facility. The precise amount of each contribution will be known when the details of arrangements with each contributor are complete. At the request of some member countries, the Managing Director of the Fund will continue to explore the possibility of additional contributions from those members that have not made final commitments.

The establishment of the ESAF results from an initiative begun this Spring to increase the resources available for lending on concessional terms to low-income countries facing protracted balance of payments difficulties. This proposal, which followed on the conclusion of the U.N. General Assembly Special Session on the Critical Economic Situation in Africa, took into account the large needs of these and other low-income members facing a severely unfavorable external economic environment. It was endorsed at the Venice Economic Summit in June 1987 by the Heads of State or Government of the seven major industrialized countries and representatives of the European Community, who urged that discussions on the proposal be concluded during 1987. The critical need for such an increase in concessional resources was again emphasized by both the Interim and Development Committees during the recent Annual Meetings of the Fund and World Bank.

The Enhanced Structural Adjustment Facility is designed to strengthen the ability of the international financial community to support the growth-oriented programs of structural adjustment of eligible countries. Its objectives, basic procedures and financial conditions generally parallel those of the existing Structural Adjustment Facility (SAF), which was established in March 1986 and was financed by about SDR 2.7 billion of repayments becoming available during 1985-91 from loans previously made under the Trust Fund. The SDR 6 billion of ESAF resources will be additional to the SDR 2.2 billion which remains to be disbursed under the existing SAF, as well as

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additional resources that will be provided to low-income countries by the World Bank, both from IDA and under its recently-expanded program of cofinancing with bilateral and multilateral donors.

The 62 presently eligible members may seek assistance under the SAF or the ESAF, and members' access under the ESAF will be financed from the new resources as well as amounts available under the existing SAF. Commitments may be made under the new facility until November 30, 1989. Access under the ESAF will be determined for individual countries on the basis of their balance of payments need and the strength of their adjustment effort, with maximum access expected to be set at 250 percent of quota and provision for somewhat higher access in exceptional cases. Access under the SAF is, at present, a uniform 63.5 percent of quota. Members borrowing resources under the ESAF or under the SAF will retain access to the general resources and special facilities of the Fund.

To the extent possible, the financial terms applying to loans under the ESAF will be the same as those under the SAF. In particular, repayment will take place in ten equal semiannual installments, beginning five and one-half years and ending ten years from the date of disbursement. It is also the Fund's intention to extend ESAF loans at an interest rate of one-half of one percent, subject to the availability of the contributions of donor countries.

Consistent with the monetary character of the Fund, programs under the ESAF will be aimed at strengthening countries' balance of payments positions as well as at promoting growth. Like SAF programs, ESAF programs will be based on a Policy Framework Paper (PFP) which outlines the authorities' medium-term economic objectives and priorities. The PFP is developed with the assistance of the staffs of both the Fund and the World Bank, working in close collaboration. The PFP also contains an assessment of the social impact of the proposed policy measures, as well as of the country's financing needs and possible sources of financial support. It is thus designed to be of particular use to donors interested in supporting the authorities' adjustment programs.

In adopting the decisions creating this facility, the Executive Board stressed its great appreciation for the enormous efforts of so many member countries that have made this initiative a success. The large volume of resources that have been mobilized and the speed with which this was accomplished is a clear indication of the urgency that the international community attaches to finding solutions for the problems of its poorest members and testimony to the cooperative spirit that prevails within that community.

A list of the 62 member countries currently eligible to receive loans under the ESAF and their quotas in the Fund is attached.

Attachment

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

Member	Quota (in SDR millions)	Member	Quota (in SDR millions)
Afghanistan	86.5	Mauritania	33.9
Bangladesh	287.5	Mozambique	61.0
Benin	31.3	Nepal	37.3
Bhutan	2.5	Niger	33.7
Bolivia	90.7	Pakistan	546.3
Burkina Faso	31.6	Rwanda	43.8
Burma	137.0	St. Kitts and Nevis	4.5
Burundi	42.7	St. Lucia	7.5
Cape Verde	4.5	St. Vincent	4.0
Cent. African Rep.	30.4	Sao Tome and Principe	4.0
Chad	30.6	Senegal	85.1
China, P.R. of	2,390.9	Sierra Leone	57.9
Comoros	4.5	Solomon Islands	5.0
Djibouti	8.0	Somalia	44.2
Dominica	4.0	Sri Lanka	223.1
Equatorial Guinea	18.4	Sudan	169.7
Ethiopia	70.6	Tanzania	107.0
Gambia, The	17.1	Togo	38.4
Ghana	204.5	Tonga	3.3
Grenada	6.0	Uganda	99.6
Guinea	51.9	Vanuatu	9.0
Guinea-Bissau	7.5	Viet Nam	176.8
Guyana	49.2	Western Samoa	6.0
Haiti	44.1	Yemen Arab Republic	43.3
India	2,207.7	Yemen P.D.R.	77.2
Kampuchea, Democratic	25.0	Zaire	291.0
Kenya	142.0	Zambia	270.3
Kiribati	2.5		
Lao, P.D.R.	29.3		
Lesotho	15.1		
Liberia	71.3		
Madagascar	66.4		
Malawi	37.2		
Maldives	2.0		
Mali	50.8		
		Total	8,790.4

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