



INTERNATIONAL MONETARY FUND FACTSHEET

A Changing IMF—Responding to the Crisis

As the world economy has become engulfed in the worst crisis in many generations, the IMF has mobilized on many fronts to support its member countries, increasing its lending, using its cross-country experience to advise on policy solutions, and introducing reforms to modernize its operations and become more responsive to member countries' needs.

Stepping up crisis lending. The IMF has responded quickly to the global economic crisis, with lending commitments reaching a record level of more than \$160 billion, including a sharp increase in concessional lending to the world's poorest nations.

Providing analysis and targeted advice. The Fund's monitoring, forecasts, and policy advice, informed by a global perspective and by experience from previous crises, have been in high demand and have been extensively used by the Group of Twenty (G-20).

Becoming more flexible. The IMF has overhauled its general lending framework to make it better suited to country needs and streamlined conditions attached to loans.

Creating a financial safety net. The IMF is creating a broad financial safety net to limit the spread of the crisis by garnering pledges for a tripling of IMF resources, as endorsed by the G-20.

Drawing lessons from the crisis. The IMF is contributing to the ongoing effort to draw lessons from the crisis for policy, regulation, and reform of the global financial architecture.

The IMF's new lending framework

- Doubling of member countries' access to Fund resources
- Streamlined approach aims to remove stigma of borrowing
- New flexible credit line for strong-performing economies
- Reform does away with "hard" structural conditionality
- New focus on objectives rather than specific actions

Overhaul of lending framework. As part of moves to support countries during the global economic crisis, the IMF is beefing up its lending capacity and has [approved a major overhaul](#) of how it lends money by offering higher amounts and tailoring loan terms to countries' varying strengths and circumstances.

New credit line for well-run emerging market economies. Disbursements are not phased and there are no conditions to meet once a country has been approved for the IMF's [Flexible Credit Line](#). [Colombia](#), [Mexico](#), and [Poland](#) have been provided credits totaling \$78 billion.

New rules for terms of IMF lending. Starting May 1, 2009, [structural performance criteria](#) have been discontinued for all IMF loans, including for programs with low-income countries. Structural reforms will continue to be part of IMF-supported programs, but only when they are seen as critical to a country's recovery. And the monitoring of these policies will be done in a way that reduces stigma, because countries will no longer need formal waivers if they fail to implement an agreed measure by a specific date.

More flexibility, fewer conditions. IMF-supported programs have been tailored to individual country circumstances and focus on the most immediate issues to resolve the crisis.

Examples of flexibility in IMF-supported programs

1. The November 2008 Fund-supported program in **Iceland** allows for a high fiscal deficit in 2009 to avoid exacerbating the ongoing collapse of economic activity, while taking measures (including capital controls) to stabilize the exchange rate and restructure the banking sector.
2. The September 2008 IMF-supported program in **Costa Rica** uses expansionary fiscal policy to mitigate the adverse effects of the drop in private demand during 2009, including increases in the wage bill and infrastructure spending.
3. The April 2008 IMF-supported program in **Guatemala** seeks a moderate fiscal stimulus to support domestic demand, financed with substantial external resources from multilateral institutions. Social spending is slated to increase by 0.6 percent of GDP, to help offset the effect of the crisis on the poorest people in society.
4. In **Pakistan**, the slowing economy, additional donor support, and the need to protect priority expenditures, have resulted in a preliminary agreement between the IMF and the authorities to relax the fiscal deficit target for 2009/10. This will provide fiscal space to absorb additional donor support, boost growth, and increase social, development, and security spending, including for internally displaced persons.

Emphasis on social protection

The IMF tries to ensure that economic adjustments taken to combat the impact of the crisis also take account of the needs of the most vulnerable by developing or enhancing social safety nets. [See related Factsheet on [The IMF's Role in Helping Protect the Most Vulnerable in the Global Crisis](#)]

Social spending is being preserved or increased wherever possible. For instance, under the IMF-supported program in **Tajikistan**, the authorities aim to raise social- and poverty-related spending from 7.3 percent of GDP in 2008 to 8.7 percent of GDP in 2009, and further to 10 percent of GDP by 2012.

About a third of programs in low-income countries include **floors on social and other priority spending**.

Structural reforms are designed in a way to protect the most vulnerable. For instance, in El Salvador, the authorities have eliminated the non-residential electricity subsidy, thereby creating fiscal space (of up to 0.3 percent of GDP) to increase social spending.

The IMF is working closely with the World Bank and donors to **identify external financing for social protection** and promote social safety net reform.

Helping the world's poorest

- The IMF envisages a sharp increase of concessional assistance of up to \$8 billion during the next two years to assist low-income countries in dealing with the fallout from the global crisis. The resources—including from the planned sale of IMF gold—are expected to boost the Fund's concessional lending up to \$17 billion through 2014.
- By mid-July 2009, new IMF commitments to sub-Saharan Africa topped \$2.7 billion.
- Country limits on access to concessional Fund financing have been doubled.
- The Fund is reforming its concessional lending instruments to make them more flexible and tailored to the needs of low-income countries.
- 24 low-income countries have received debt relief from the IMF totaling about \$6 billion.

More flexibility on fiscal policy. Because of the crisis, the IMF has generally factored in higher deficits and spending in 2008 and 2009, and has made financial assistance programs more flexible. Fiscal targets have been loosened in close to 80 percent (18 out of 23) of African countries that have an active IMF program. On average for all sub-Saharan Africa, fiscal deficits are being widened by 2 percent of GDP in 2009 (7.5 percent if oil producers are included).

More flexibility on inflation. Programs for low-income countries projected an average inflation rate of 5.3 percent for 2008 in October 2007. But during 2008, as world food and fuel prices rose, this objective was relaxed. On average, by October, IMF staff expected inflation in 2008 to reach 11 percent in 2008 in countries with a Fund-supported program, and the outcome was close to 12 percent.

Streamlined loan conditions. Conditionality is now more tightly focused on core objectives. The number of structural conditions has decreased in many programs, and has been increasingly limited to the most critical measures, in particular urgent public financial management reforms.

Reform of financing instruments. In addition to the recent doubling in access limits, the IMF has overhauled its concessional financing facilities to make them more flexible and address the diverse needs of low-income countries, as many are being hard hit by the global crisis. The reform allows the Fund to provide more effective short-term and emergency financial assistance. The new framework includes increased resources, a doubling of borrowing limits, zero interest rates until the end of 2011, and more flexible terms.

Creating a Crisis Firewall—Tripling of IMF resources

- The April 2, 2009 G-20 Summit in London supported a dramatic increase in IMF lending resources to help combat the crisis.

- The G-20 agreed to triple the IMF's lending capacity to \$750 billion and enabling it to inject extra liquidity into the world economy via a \$250 billion allocation of SDRs—the IMF's quasi-currency.
- An immediate doubling of IMF resources from \$250 billion has been achieved through bilateral pledges from a number of countries.
- **An increase in resources to \$750 billion** is being achieved by expanding and modernizing its [New Arrangements to Borrow](#) (NAB). Expanding the number of participants from the current 26, enlarging the credit provided to up to \$500 billion (including the roughly \$250 billion of contributions provided bilaterally), and making the NAB more flexible will provide a much stronger backstop.
- **A general allocation of SDRs equivalent to \$250 billion** has resulted in a near ten-fold increase in SDRs. This represents a significant increase in reserves for many countries, including low-income countries.

IMF role in shaping post-crisis financial architecture

- To shape the post-crisis world and try to prevent future crises, the IMF is closely working with governments and other international institutions.
- Steps are being taken to enhance analysis of risks, taking a cross-country perspective, examine linkages between the real economy and the financial sector and external stability, in particular through the development of an early-warning exercise—jointly with the Financial Stability Board—and revamping the Financial Sector Assessment Programs.
- More attention to the effectiveness of country surveillance is also key, requiring more even-handedness, clarity, and candor.
- The IMF has also provided advice on how to rethink global regulation and supervision of markets.

IMF governance better reflecting the world economy

- A top priority for the Fund's legitimacy and effectiveness is the completion of outstanding governance reforms.
- Reforms on quota and voice agreed in April 2008 need to be approved promptly.
- The reforms are a first step in increasing the share of dynamic emerging markets and preserving the voice of low income countries.
- Once implemented, 54 members will receive an increase in their quotas, some of the largest gains going to China, Korea, India, Brazil, and Mexico.
- This is a just a first step in ongoing reforms. The G-20 has called for completion of the next step in improving representation for emerging and developing countries by January 2011, with work to start on a new quota formula by October 2009.