



INTERNATIONAL MONETARY FUND FACTSHEET

IMF Lending

A core responsibility of the IMF is to provide loans to member countries experiencing actual or potential balance of payments problems. This financial assistance helps countries in their efforts to rebuild their international reserves, stabilize their currencies, continue paying for imports, and restore conditions for strong economic growth, while undertaking policies to correct underlying problems. Unlike development banks, the IMF does not lend for specific projects.

When can a country borrow from the IMF?

A member country may request IMF financial assistance if it has a balance of payments need (actual or potential)—that is, if it cannot find sufficient financing on affordable terms to meet its net international payments while maintaining adequate reserve buffers going forward. An IMF loan provides a cushion that eases the adjustment policies and reforms that a country must make to correct its balance of payments problem and restore conditions for strong economic growth.

The changing nature of IMF lending

The volume of loans provided by the IMF has fluctuated significantly over time. The oil shock of the 1970s and the debt crisis of the 1980s were both followed by sharp increases in IMF lending. In the 1990s, the transition process in Central and Eastern Europe and the crises in emerging market economies led to further surges of demand for IMF resources. Deep crises in Latin America kept demand for IMF resources high in the early 2000s. IMF lending rose again starting in late 2008 in the wake of the financial crisis.

The process of IMF lending

Upon request by a member country, an IMF loan is usually provided under an “arrangement,” which may, when appropriate, stipulate specific policies and measures a country has agreed to implement to resolve its balance of payments problem. The economic program underlying an arrangement is formulated by the country in consultation with the IMF and is presented to the Fund’s [Executive Board](#) in a “[Letter of Intent](#).” Once an arrangement is approved by the Board, the loan is usually released in phased installments as the program is implemented. Some arrangements provide countries with a one-time up-front access to IMF financial resources.

IMF Facilities

Over the years, the IMF has developed various loan instruments, or “facilities,” that are tailored to address the specific circumstances of its diverse membership. Low-income countries may borrow on concessional terms through the Extended Credit Facility (ECF), the Standby Credit Facility (SCF) and the Rapid Credit Facility (RCF) (see [IMF Support for Low-Income Countries](#)). Concessional loans carry zero interest rates until the end of 2013 (2012 for SCF loans). Nonconcessional loans are provided mainly through Stand-By Arrangements (SBA), the Flexible Credit Line (FCL), the Precautionary and Liquidity Line (PLL), and the Extended Fund Facility (which is useful primarily for medium- and longer-term needs). The IMF also provides [emergency assistance](#) via the newly-introduced Rapid

Financing Instrument (RFI) to all its members facing urgent balance of payments needs. All non-concessional facilities are subject to the IMF's market-related interest rate, known as the "rate of charge," and large loans (above certain limits) carry a surcharge. The **rate of charge** is based on the **SDR interest rate**, which is revised weekly to take account of changes in short-term interest rates in major international money markets. The maximum amount that a country can borrow from the IMF, known as its access limit, varies depending on the type of loan, but is typically a multiple of the country's **IMF quota**. This limit may be exceeded in exceptional circumstances. The Stand-By Arrangement, the Flexible Credit Line and the Extended Fund Facility have no pre-set cap on access.

The **new concessional facilities for LICs** became effective in January 2010 under the Poverty Reduction and Growth Trust (PRGT) as part of a broader reform to make the Fund's financial support more flexible and better tailored to the diverse needs of LICs. Access limits and norms have been approximately doubled compared to pre-crisis levels. Financing terms have been made more concessional, and the interest rate is reviewed every two years. All facilities support country-owned programs aimed at achieving a sustainable macroeconomic position consistent with strong and durable poverty reduction and growth.

- **The Extended Credit Facility (ECF)** succeeds the Poverty Reduction and Growth Facility (PRGF) as the Fund's main tool for providing medium-term support to LICs with protracted balance of payments problems. Financing under the ECF currently carries a zero interest rate, with a grace period of 5½ years, and a final maturity of 10 years.
- **The Standby Credit Facility (SCF)** provides financial assistance to LICs with short-term balance of payments needs. The SCF replaces the High-Access Component of the Exogenous Shocks Facility (ESF), and can be used in a wide range of circumstances, including on a precautionary basis. Financing under the SCF currently carries a zero interest rate, with a grace period of 4 years, and a final maturity of 8 years.
- **The Rapid Credit Facility (RCF)** provides rapid financial assistance with limited conditionality to LICs facing an urgent balance of payments need. The RCF streamlines the Fund's emergency assistance for LICs, and can be used flexibly in a wide range of circumstances. Financing under the RCF currently carries a zero interest rate, has a grace period of 5½ years, and a final maturity of 10 years.

Stand-By Arrangements (SBA). The bulk of non-concessional IMF assistance is provided through SBAs. The SBA is designed to help countries address short-term balance of payments problems. Program targets are designed to address these problems and disbursements are made conditional on achieving these targets ('conditionality'). The length of a SBA is typically 12–24 months, and repayment is due within 3¼-5 years of disbursement. SBAs may be provided on a precautionary basis—where countries choose not to draw upon approved amounts but retain the option to do so if conditions deteriorate—both within the normal access limits and in cases of exceptional access. The SBA provides for flexibility with respect to phasing, with front-loaded access where appropriate.

Flexible Credit Line (FCL). The FCL is for countries with very strong fundamentals, policies, and track records of policy implementation and is useful for both crisis prevention and crisis resolution. FCL arrangements are approved, at the member country's request, for countries meeting pre-set qualification criteria. The length of the FCL is one or two years

(with an interim review of continued qualification after one year) and the repayment period the same as for the SBA. Access is determined on a case-by-case basis, is not subject to the normal access limits, and is available in a single up-front disbursement rather than phased. Disbursements under the FCL are not conditional on implementation of specific policy understandings as is the case under the SBA as FCL-eligible countries are trusted to be able to implement appropriate macroeconomic policies. There is flexibility to either draw on the credit line at the time it is approved or treat it as precautionary. In case a member draws, the repayment term is the same as that under the SBA.

Precautionary and Liquidity Line (PLL). The PLL replaced the Precautionary Credit Line (PCL), building on its strengths and enhancing its flexibility. The PLL can be used for both crisis prevention and crisis resolution purposes by countries with sound fundamentals and policies, and a track record of implementing such policies. PLL-eligible countries may face moderate vulnerabilities and may not meet the FCL qualification standards, but they do not require the same large-scale policy adjustments normally associated with SBAs. The PLL combines [qualification](#) (similar to the FCL) with focused ex-post [conditions](#) that aim at addressing the identified remaining vulnerabilities in the context of semi-annual monitoring. Duration of PLL arrangements can be either six months or 1-2 years. Access under the six-month PLL is limited to 250 percent of quota in normal times, but this limit can be raised to 500 percent of quota in exceptional circumstances where the balance of payments need is due to exogenous shocks, including heightened regional or global stress. 1-2 year PLL arrangements are subject to an annual access limit of 500 percent of quota and a cumulative limit of 1000 percent of quota. The repayment term of the PLL is the same as for the SBA.

Extended Fund Facility (EFF). This facility was established in 1974 to help countries address medium- and longer-term balance of payments problems reflecting extensive distortions that require fundamental economic reforms. Arrangements under the EFF are thus longer than SBAs—normally not exceeding three years at approval, with a maximum extension of up to one year where appropriate. However, a maximum duration of up to four years at approval is also allowed, predicated on the existence of a balance of payments need beyond the three-year period, the prolonged nature of the adjustment required to restore macroeconomic stability, and the presence of adequate assurances about the member's ability and willingness to implement deep and sustained structural reforms. . Repayment is due within 4½–10 years from the date of disbursement.

Rapid Financing Instrument (RFI). The RFI was introduced to replace and broaden the scope of the earlier emergency assistance policies. The RFI provides rapid financial assistance with limited conditionality to all members facing an urgent balance of payments need. Access under the RFI is subject to an annual limit of 50 percent of quota and a cumulative limit of 100 percent of quota. Emergency loans are subject to the same terms as the FCL, PLL and SBA, with repayment within 3¼–5 years.

Useful Links

[IMF Financial Activities](#)
[IMF Finances](#)
[Member Financial Data](#)