



INTERNATIONAL MONETARY FUND FACTSHEET

IMF Lending

A core responsibility of the IMF is to provide loans to member countries experiencing balance of payments problems. This financial assistance enables countries 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—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, but these loans were largely repaid as conditions improved. IMF lending rose again starting in late 2008, as a period of abundant capital flows and low pricing of risk gave way to global deleveraging in the wake of the financial crisis in advanced economies.

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.

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 at a concessional interest rate through the [Poverty Reduction and Growth Facility \(PRGF\)](#) and the [Exogenous Shocks Facility \(ESF\)](#). These facilities are expected to be replaced by a new set of instruments when donor countries have given their final consent to a wide-ranging reform of the Fund’s concessional facilities and financing framework (see [IMF Support for Low-Income Countries](#)). Nonconcessional loans are provided mainly through Stand-By Arrangements (SBA), the Flexible Credit Line (FCL), and the Extended Fund Facility (which is useful primarily for longer-term needs). The IMF also provides [emergency assistance](#) to support recovery from natural disasters and conflicts, in some cases at concessional interest rates.

Except for the PRGF and the ESF, all 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 amount that a country can borrow from the Fund—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 Flexible Credit Line has no pre-set cap on access.

Poverty Reduction and Growth Facility (PRGF) and Exogenous Shocks Facility (ESF).

PRGF-supported programs for low-income countries are underpinned by comprehensive country-owned strategies, delineated in their [Poverty Reduction Strategy Papers \(PRSPs\)](#). The interest rate levied on PRGF and ESF loans is only 0.5 percent, and loans are to be repaid over a period of 5½–10 years. The ESF, which was modified in September 2008 to make it more flexible and increase access levels, aims to meet the needs of low-income member countries for rapid and adequately-sized shock assistance with streamlined conditionality requirements.

Stand-By Arrangements (SBA). The bulk of Fund assistance to middle-income countries 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 Fund 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 particularly useful for crisis prevention purposes. FCL arrangements are approved for countries meeting pre-set qualification criteria. The length of the FCL is 6 months or 1 year (with a mid-term review) 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 conditioned on implementation of specific policy understandings as is the case under the SBA. There is flexibility to draw on the credit line at the time it is approved, or it may be treated as precautionary.

Extended Fund Facility (EFF). This facility was established in 1974 to help countries address longer-term balance of payments problems requiring fundamental economic reforms. Arrangements under the EFF are thus longer than SBAs—usually 3 years. Repayment is due within 4½–10 years from the date of disbursement.

Emergency assistance. The IMF provides emergency assistance to countries that have experienced a natural disaster or are emerging from conflict. Emergency loans are subject to the basic rate of charge, although interest subsidies are available for PRGF-eligible countries, subject to availability. Loans must be repaid within 3¼–5 years.

Useful Links

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