

THE ROLE OF THE IMF

DISCIPLINE MULTIPLIER

CATALYTIC ROLE

Debt sustainability analysis	IMF functions	Surveillance	Discipline multiplier	Monitor	Lender	PRIVATE SECTOR INVOLVEMENT
	Country classification *	(Article IV)	(Program design)	(Program monitoring)	(IMF lending) International liquidity provider	
<p style="text-align: center;">Low intolerance to external debt</p> <ul style="list-style-type: none"> - < 35 % of GNP for serial defaulters - < 60% of GNP for all countries 	<p style="text-align: center;">Macroeconomic assessment</p>	<ul style="list-style-type: none"> • Domestic adjustment measures • Policy commitments • Conditionality 	<p style="text-align: center;">Verifying Program Compliance</p>	<p style="text-align: center;">CRISIS PREVENTION **</p> <ul style="list-style-type: none"> • Precautionary arrangements (SBA) • Coinsurance arrangements ? • Non borrowing programs ? <p style="text-align: center;">CRISIS RESOLUTION WITHOUT DEBT RESTRUCTURING</p> <ul style="list-style-type: none"> • Normal access limits (SBA) • Exceptional circumstances clause (SBA) • Exceptional access (SRF) 	<ul style="list-style-type: none"> • Voluntary PSI • Concerted PSI without a reduction in net present value of claims (roll over...) 	
<p style="text-align: center;">High intolerance to external debt</p> <ul style="list-style-type: none"> - >35% of GNP for serial defaulters - >60% of GNP for all countries 	<p style="text-align: center;">Macroeconomic assessment</p>	<ul style="list-style-type: none"> • Domestic adjustment measures • Policy commitments • Conditionality 	<p style="text-align: center;">Verifying Program Compliance</p>	<p style="text-align: center;">CRISIS RESOLUTION WITH DEBT RESTRUCTURING</p> <ul style="list-style-type: none"> • LIA policy as opposed to large IMF rescue packages 	<ul style="list-style-type: none"> • Non-voluntary PSI (after default) : debt restructuring with a reduction in net present value of claims. 	

* based on Reinhart, Rogoff, Savastano, 2003, *Debt Intolerance*, NBER working paper 9908.

** **1/ Precautionary arrangements** : country authorities declare that they do not intend to draw on resources made available (this declaration however is not binding). **2/ Coinsurance arrangements** : an insurance policy under which the insurer and the insured share costs incurred after the deductible is met, according to a specific formula. More generally, a sharing of risk between the insurer and the insured (also called copay). **3/ Non Borrowing Programs** : a program without IMF funding, but assessed by the Fund frequently with economic and fiscal objectives developed by the country.