

Web Document 5.A: Systemic Transformation Facility

Systemic Transformation Facility Decision No. 10348-(93/61) STF, adopted April 23, 1993

1. (a) Until December 31, 1994,* the Fund will be prepared to provide financial assistance in accordance with the terms of this Decision to members that are experiencing balance of payments difficulties as a result of severe disruptions in their traditional trade and payments arrangements that are manifested by (i) a sharp fall of total export receipts due to a shift from significant reliance on trading at nonmarket prices to multilateral, market-based trade, (ii) a substantial and permanent increase in net import costs, due to a shift from significant reliance on trading at nonmarket prices toward world market pricing, particularly for energy products, or (iii) a combination of both.
(b) For purposes of this Decision, disruptions in a member's trade and payments arrangements shall be deemed to be "severe" when they are estimated to be at least equivalent to 50 percent of quota.
2. Financing under this Decision for the balance of payments difficulties stemming from the disruptions described in paragraph 1 above shall not exceed 50 percent of the member's quota and shall be provided in two purchases. Each purchase shall be equal to 50 percent of the member's access as determined under this Decision.
3. (a) A member may expect that its request for a first purchase under this Decision will be met immediately, if the Fund is satisfied that the member will cooperate with the Fund in an effort to find appropriate solutions to its balance of payments difficulties, based on:
 - (i) a written statement submitted by the member
 - describing the policies and measures that the member intends to pursue for the next 12 months, including, as appropriate, the steps taken or to be taken to put in place the basic institutions of economic management in a market-oriented system;
 - stating the member's intention to reach understandings with the Fund as soon as possible on a comprehensive adjustment program that could be supported by a Fund arrangement; and

*Effective December 14, 1994, this termination date and the corresponding date in paragraph 11 were changed to April 30, 1995; Decision No. 10855-(94/109) STF.

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- describing a financial program, including quarterly targets for relevant macroeconomic indicators, for the next 12 months, if such a program can reasonably be elaborated; and
 - (ii) such prior actions, if any, as the Fund considers appropriate.
- (b) A member shall be deemed to fulfill the condition of willingness to cooperate set out in subparagraph (a) above with respect to a request for a first purchase, if a Fund arrangement is approved or a program review under a Fund arrangement is completed for the member while the request for the first purchase is under consideration by the Fund.
4. (a) A member may expect that its request for a second purchase under this Decision, which would normally be made about 6 months, but in any event not later than 12 months,** after the date of the first purchase, will be met when the Fund is satisfied that the member continues to cooperate with the Fund in an effort to find appropriate solutions to its balance of payments difficulties, based on:
- (i) a finding by the Fund that there has been satisfactory progress (1) toward reaching understandings between the member and the Fund on a comprehensive adjustment program that could be supported by a Fund arrangement, taking into account the policies and measures carried out by the member since the first purchase, and (2) in mobilizing the external financing necessary to support the policies being implemented with the support of the Fund under this Decision;
 - (ii) a written statement submitted by the member describing or updating a financial program, including quarterly targets of relevant macroeconomic indicators, for the subsequent two quarters; and
 - (iii) such prior actions, if any, as the Fund considers appropriate.
- (b) A member shall be deemed to fulfill the condition of continuing cooperation set out in subparagraph (a) above with respect to a request for a second purchase, and may make such purchase earlier than specified in subparagraph (a) above, if a Fund arrangement is approved or a program review under a Fund arrangement is completed for the member not less than two months after the date of the first purchase and while the request for the second purchase is under consideration by the Fund.
5. A member that has a Fund arrangement shall, as a condition for making a purchase under this Decision, reach understandings with the Fund on appropriate modifications of the terms and conditions of the arrangement, including the amount of the arrangement.

**Effective July 29, 1994, "12 months" was replaced by "18 months" as the maximum interval between the first and second purchases; Decision No. 10760-(94/71) STF.

6. Purchases under this Decision and holdings resulting from such purchases shall be excluded for the purposes of the definition of “reserve tranche purchase” pursuant to Article XXX(c).

7. Except for the purpose of determining the level of conditionality applied to purchases in the credit tranches, the Fund’s holdings of a member’s currency resulting from purchases under this Decision shall be considered separate from the Fund’s holdings of the same currency resulting from purchases made under any other policy on the use of the Fund’s general resources. In cases of concurrent requests for a purchase in the credit tranches and for a purchase under this Decision, the purchase under this Decision shall be deemed to be made first.

8. In order to carry out the purposes of this Decision, the Fund will be prepared to grant a waiver of the limitation of 200 percent of quota in Article V, Section 3(b)(iii), whenever necessary to permit purchases under this Decision or to permit other purchases that would raise the Fund’s holdings of the purchasing member’s currency above that limitation because of purchases outstanding under this Decision.

9. Wherever used in this Decision, the expression “Fund arrangement” will mean an upper credit tranche stand-by or extended arrangement or an arrangement under the enhanced structural adjustment facility.

10. In providing financing pursuant to this Decision, the Fund, as under any other policies of the Fund, shall pay due attention to the member’s capacity to service its financial obligations to the Fund, and, having regard to the outstanding financial obligations of the member to the Fund and to assurances received from creditors and donors, may reduce the amount of financing accordingly, notwithstanding any other provision of this Decision.

11. Notwithstanding paragraph 1, a second purchase under paragraph 4 may be made by a member after December 31, 1994, but not later than December 31, 1995, provided that the member has made the first purchase under paragraph 3 before December 31, 1994.***

12. Pursuant to Article V, Section 7(d), repurchases in respect of an outstanding purchase under this Decision shall be made in equal semiannual installments during the period beginning four and one-half years and ending ten years after the purchase.

13. Rule I-6(4) shall be amended by inserting the following new subparagraph (viii):

“or (viii) under the Systemic Transformation Facility (Executive Board Decision No. 10348-(93/61) STE, adopted April 23, 1993).”

***In the amendments described in the preceding footnotes, the final date for a second purchase remained at December 31, 1995.