IMF Bilateral Borrowing

While quota subscriptions are, and remain the primary source of the Fund’s financing, borrowing by the Fund can provide an important supplement to its resources on a temporary basis. Since the onset of the global financial crisis, the IMF has entered into bilateral borrowing agreements as a third line of defense (after its quota resources and existing multilateral borrowing arrangements) to help address the potential needs of its membership at times of heightened uncertainty in the global economy.

Response to the global financial crisis

When the global financial crisis broke out in 2008, there were concerns about the adequacy of the IMF’s lending resources, as there had not been a general quota increase for about a decade. In response, the International Monetary and Financial Committee (IMFC; the IMF’s steering committee) and the Group of 20 agreed in April 2009 that the IMF’s resources should be increased by $250 billion through bilateral borrowing arrangements as a rapid and flexible means to boost lending capacity. These bilateral borrowing arrangements were subsequently incorporated into the expanded multilateral arrangements (called “New Arrangements to Borrow”, or NAB).

The 2012 borrowing agreements

In 2011, as economic and financial conditions worsened in the euro area and raised concerns over potential spillovers, the IMFC called for a review of the adequacy of IMF resources.

In June 2012, the IMF’s Executive Board approved modalities for bilateral borrowing to boost IMF resources for crisis prevention and resolution through bilateral borrowing.

The 2012 borrowing agreements had initial two-year terms, with the possibility of being extended by two additional one-year terms. The agreements were extended by one year in 2014 and by an additional one year in 2015 in light of continued vulnerabilities in the global economy.

As of September 30, 2016, 35 2012 borrowing agreements totaling an amount equivalent to SDR282 billion ($393 billion) were effective. The 2012 bilateral borrowing agreements have not been activated or drawn and began to expire in mid-October 2016.

The 2016 borrowing agreements

In August 2016, in light of the ongoing uncertainty and structural shifts in the global economy, the IMF’s Executive Board approved a new framework for bilateral borrowing. This new framework allows the IMF to maintain access on a temporary basis to bilateral borrowing and avoid a sharp fall in lending capacity. This framework is stipulated in the Guidelines for Borrowing by the Fund, which have been in place and revised periodically by the Executive Board since 1982.
While retaining key modalities of the 2012 borrowing framework, the new framework provides that for any activation of the Fund's bilateral borrowing agreements, the Fund's one-year forward commitment capacity (the amount of resources the IMF has readily available for new non-concessional lending over the next twelve months) including amounts available under the NAB must have fallen below SDR100 billion. In addition, any activation of the borrowing agreements should be approved by creditors representing 85 percent of the total credit amount committed under the 2016 bilateral borrowing agreements.

The agreements under the new framework have a common maximum term of end-2020, with an initial term to end-2019, extendable for a further year through end-2020 with creditors' consents. These agreements serve as a third line of defense after quotas and the NAB.

As of October 12, 2017, 40 member countries have committed a total of about SDR319 billion or $450 billion in bilateral borrowed resources.