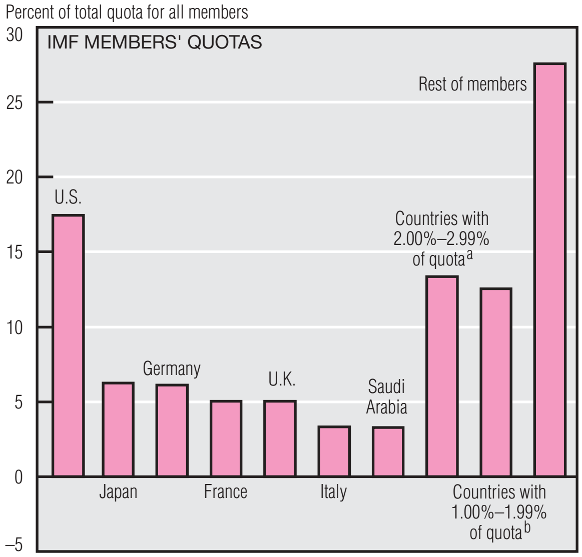
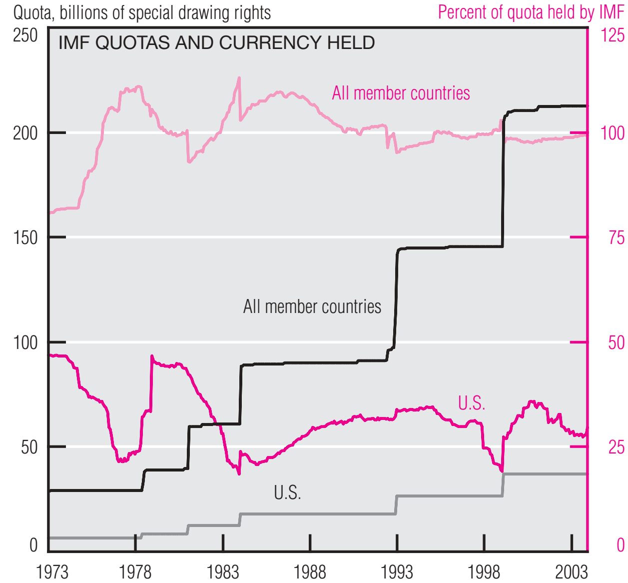
The International Monetary Fund





IMF Financial Assistance Facilities

Financial assistance	Purpose	Charges	Obligation schedule, years	Expectations schedule, years
Standby arrangements	Provide shorter-term assistance for balance-of-payments problems	Basic GRA rate plus surcharges[c]	3 1/4–5	2 1/4–4
Extended Fund Facility	Addresses longer-term structural problems	Basic GRA rate plus surcharges[c]	4 1/2–10	4 1/2–7
Special lending facilities	Varies	Basic GRA rate plus 0–500 basis points[c]	2–5	1–4
Poverty Reduction and Growth Facility[d]	Resolves deep-seated balance-of-payments problems; aims at sustained poverty-reducing growth	0.5% per year	5 1/2–10	—

a. China, Canada, Russian Federation, Netherlands, and Belgium.
b. India, Switzerland, Australia, Brazil, Spain, Venezuela, Mexico, Sweden, and Argentina.
c. Basic rate on general resources account funds, set as a fixed proportion of the rate on special drawing rights.
d. Replaced the Enhanced Structural Adjustment Facility in 1999.
SOURCES: International Monetary Fund, *International Financial Statistics* and 2003 *Annual Report*; and Board of Governors of the Federal Reserve System.

Since its creation in 1945, the International Monetary Fund (IMF) has grown from 45 member countries to 184. The IMF has often been compared to a credit union because it loans funds to member countries from the pooled resources of all the members. The general resources account contains the bulk of these funds. Quotas, usually reviewed every five years, set the maximum amount countries are called to contribute to the general resources account and determine member countries' voting power. Votes such as the quota reviews usually made every five years can require a majority of up to 85%. Special drawing rights, the IMF's unit of account, are valued as a weighted average of currencies from the U.K., the euro area, the U.S., and Japan. The interest rate on special drawing rights, a weighted average of three-month bond rates in the same regions, determines the general resources account's basic interest applied to IMF loans.

Most IMF loan commitments are made either as standby arrangements, which are designed to help shorter-term, cyclical balance-of-payments problems, or through the Extended Fund Facility, which addresses longer-term structural problems. Both programs add progressive surcharges to the basic general resources account rate on loans that are two or three times larger than the receiving country's quota. Special lending facilities are intended to prevent short-term crises of market confidence or

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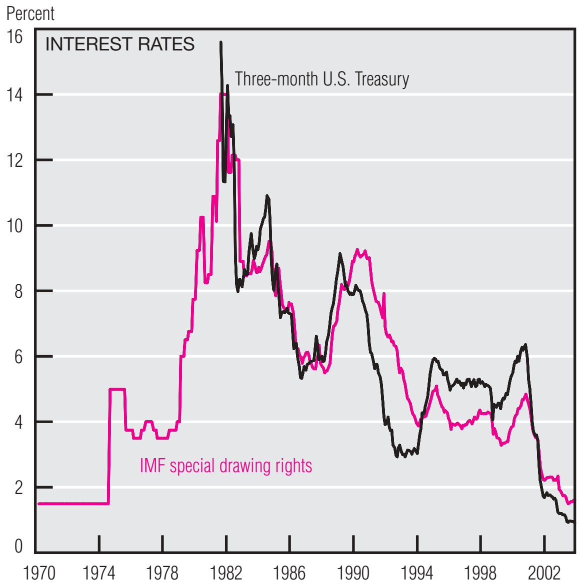

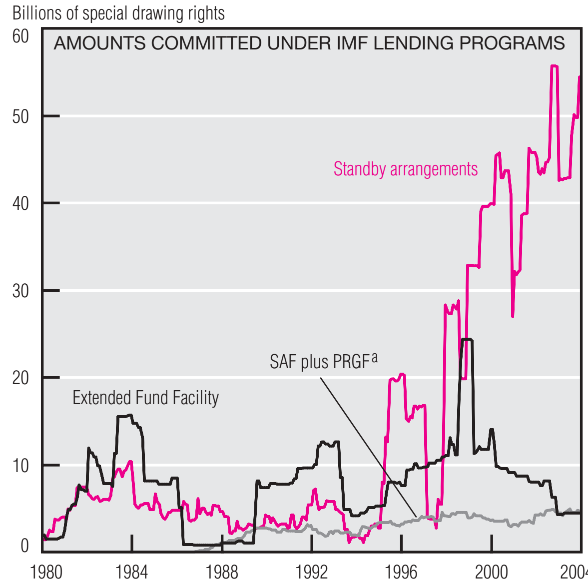

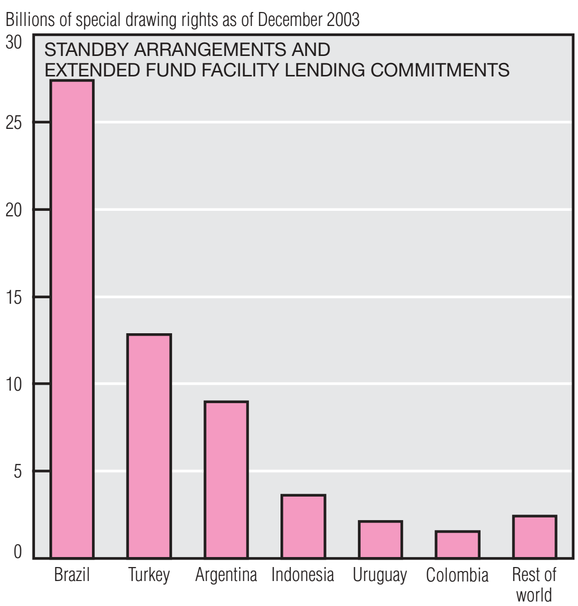

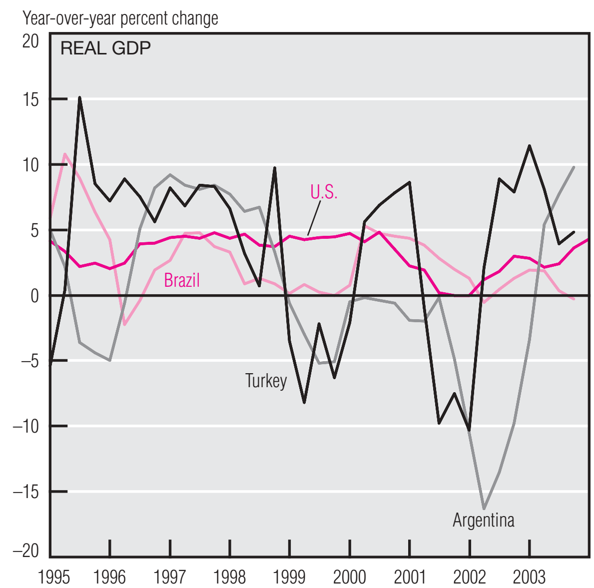

a. The Poverty Reduction and Growth Facility (PRGF) replaced the Enhanced Structural Adjustment Facility (ESAF) in 1999.
SOURCES: International Monetary Fund, *International Financial Statistics*; and Bloomberg Financial Information Services.

temporary import or export problems, provide emergency assistance, or prevent financial contagion. If a borrower's financial position is not strong enough to repay loans by the expectations deadline, the country may ask the IMF's executive board to extend the loan period forward to the obligations deadline. The Poverty Reduction and Growth Facility, instituted in 1999, provides poor countries with low-interest loans aimed at enhancing long-term sustainable growth.

Countries receiving loans must make a number of commitments on financial and economic policies designed to ensure macroeconomic stability and timely repayment. This process, known as conditionality, has been controversial and was revised in September 2002. New guidelines were designed to take account of country-specific circumstances.

Brazil, Argentina, and Turkey currently account for over 80% of the combined loans committed through standby arrangements or by the Extended Fund Facility. These three countries have encountered a number of economic and social problems such as fiscal imbalances, civil unrest, and legal uncertainties, as well as bouts of inflation and currency depreciation. Through a combination of loan packages and conditional reforms and policies, the IMF seeks to return these countries to financial and economic stability.