

Web Box 3.2

Mobilizing financing for low-income countries

Exceeding a call by the G-20 for US\$6 billion in new lending over two to three years, the Fund announced in July 2009 that it was boosting its concessional lending capacity to as much as US\$17 billion through 2014, including up to US\$8 billion in the first two years of the effort (see “Concessional Financing” in this chapter). In addition, new subsidy resources will be mobilized from the IMF’s internal resources, including the use of a portion of the proceeds from gold sales approved in September 2009 (see “Gold Sales in Support of New Income Model” in Chapter 5) and bilateral contributions to help cover the cost of concessional interest rates. Further increasing its loan resources for PRGT lending, the IMF signed bilateral borrowing agreements with the Bank of Spain (SDR 405 million, December), the Danmarks Nationalbank (SDR 200 million, January), and the government of Canada (SDR 500 million, March) to fund new concessional lending.¹ Additional commitments of resources to the PRGT were received from the governments of China and Norway during FY2010, with the formal agreements signed, or expected to be signed, in FY2011.

In mid-September, the Managing Director called on rich countries to step up their support to lower-income countries to enable them to rebound quickly from the crisis, to match the IMF’s scaling up of its concessional resources.² Two IMF studies published the following month echoed this theme,³ noting that the global food, fuel, and financial crises had hit low-income countries harder than anticipated, increasing their need for donor aid, but that past gains from macroeconomic stabilization and debt reduction, together with some increase in aid, had created space in many countries for countercyclical policies. The studies called on the donor community to do more to help low-income countries continue to adjust smoothly to the crises.

¹See PR 10-50, “IMF Signs SDR 405 Million Borrowing Agreement with the Bank of Spain to Support Lending to Low-Income Countries” (www.imf.org/external/np/sec/pr/2010/pr1050.htm), PR 10-51, “IMF Signs SDR 200 Million Borrowing Agreement with the Danmarks Nationalbank to Support Lending to Low-Income Countries” (www.imf.org/external/np/sec/pr/2010/pr1051.htm), and PR 10-88, “IMF Signs SDR 500 Million Borrowing Agreement with the Government of Canada to Support Lending to Low-Income Countries” (<http://www.imf.org/external/np/sec/pr/2010/pr1088.htm>).

²See PR 09-305, “Low-Income Countries Need Increased Financing to Cope with Crisis, Says IMF Managing Director Strauss-Kahn” (www.imf.org/external/np/sec/pr/2009/pr09305.htm).

³See PR 09-340, “Crisis Hits Low-Income Countries Worse than Anticipated, but Flexible Program Design Has Given Governments Greater Policy Space to Respond, IMF Studies Show” (www.imf.org/external/np/sec/pr/2009/pr09340.htm).