

Web Document 5.D: Contingent Credit Lines

On April 23, 1999, the Executive Board approved an extension of the Supplemental Reserve Facility to provide for contingent credit lines. The SRF decision was amended to add the following text as a second section.

II. Contingent Credit Lines

13. Through May 4, 2001, the Fund will be prepared to commit and provide financial assistance to a member under the terms and conditions specified in this section.

14. Financing under this section will be committed to a member: (i) that, at the time of commitment, is implementing policies that are considered unlikely to give rise to a need to use Fund resources, and is not facing balance of payments difficulties of the type described in paragraph 15; (ii) whose policies have received a positive assessment from the Fund at its last Article IV consultation and whose policies have continued to be assessed favorably by the Fund thereafter based on economic indicators reflecting domestic stability and external sustainability, and taking into account the extent of the member's adherence to relevant internationally-accepted standards; in particular, the member would have subscribed to the Special Data Dissemination Standard and be judged to be making satisfactory progress towards meeting its requirements; (iii) that is maintaining constructive relations with its private creditors with a view to facilitating appropriate involvement of the private sector, and has made satisfactory progress in limiting external vulnerability through the management of the level and structure of its external debt and international reserves; and (iv) that has submitted a satisfactory economic and financial program, including a quantified framework, which the member stands ready to adjust as needed.

15. Financing under this section will be provided where, as a result of circumstances that are largely beyond the control of the member and that stem primarily from adverse developments in international capital markets consequent upon developments in other countries, the member is experiencing exceptional payments difficulties due to a large short-term financing need resulting from a sudden and disruptive loss of market confidence reflected in pressure on the capital account and the member's reserves, if there is a reasonable expectation that adequate financing and the implementation of any necessary adjustment policies will result, within a short period of time, in an early correction of such difficulties.

CONTINGENT CREDIT LINES

16. Financing under this section will be committed and provided under a stand-by arrangement, in addition to resources in the credit tranches. Financing will be committed under this section in cases where purchases in the credit tranches or under the extended Fund facility, taking into account outstanding purchases, would otherwise exceed either the annual or cumulative access limit.

17. The Fund may commit resources under this section at any time under an arrangement but will only make such resources available when it finds that the member meets the conditions specified in paragraph 15. The arrangement will specify the amount of resources committed under this section and will normally provide for the continued availability of such resources beyond a specified date to be subject to the completion of a program review by the Fund. When the Fund decides to make such resources available to a member, it may phase such resources in as many purchases and subject to such conditionality as it considers appropriate. The Fund may commit resources under this section for a period of up to one year and, after it decides to make such resources available, may extend such period for up to one year from the date such resources are made available.

18. Notwithstanding the provisions of paragraph 16, financing under this section may be committed and provided under any extended arrangement in effect at the time the provisions of this section become effective.

19. Paragraphs 6 to 11 of this Decision [Web Document 5.C, above] shall apply to purchases under this section.

20. This section and its operation will be reviewed no later than May 5, 2000.