

## Appendix. Europe: IMF-Supported Arrangements<sup>59</sup> (As of September 7, 2011)

Country	IMF Loan Size, Approval Date, Duration <sup>60</sup>	Key Objectives and Policy Actions	Additional Information
Ukraine	\$16.4 billion Stand-by Arrangement, November 2008, 24 months	<ul style="list-style-type: none"> <li>• Help the economy adjust to the new economic environment by allowing the exchange rate to float, aim to achieve a balanced budget in 2009, phase in energy tariff increases, and pursue an income policy that protects the population while slowing price increases.</li> <li>• Restore confidence and financial stability (recapitalizing viable banks and dealing promptly with banks with difficulties).</li> <li>• Protect vulnerable groups in society (an increase in targeted social spending to shield vulnerable groups).</li> </ul>	In July 2010, a new SDR 10 billion, 29 month Stand-by Arrangement (SBA) program was approved, replacing the November 2008 SBA.
	\$15.2 billion Stand-by Arrangement, July 2010, 29 months	<ul style="list-style-type: none"> <li>• Restore confidence and fiscal sustainability by reducing the general government deficit to 2.5 percent of GDP by 2012 and setting public debt firmly on a downward path below 35 percent by 2015.</li> <li>• Initiate reforms to modernize the gas sector and phase out Naftogaz's deficit, including through gas tariff increases and a price mechanism that depoliticizes price setting of public utilities.</li> <li>• Restore and safeguard banks' soundness through completion of recapitalization plans by end-2010 and strengthened supervision.</li> <li>• Develop a more robust monetary policy framework focused on domestic price stability with greater exchange rate flexibility under a more independent National Bank of Ukraine.</li> </ul>	The first review of the new SBA arrangement was completed in December 2010. The second review has been on hold pending completion of prior actions. ( <a href="http://www.imf.org/external/country/UKR/index.htm">www.imf.org/external/country/UKR/index.htm</a> )
Latvia	\$2.4 billion (€1.7 billion) Stand-by Arrangement, December 2008, 27 months, extended to 36 months	<ul style="list-style-type: none"> <li>• Take immediate measures to stem the loss of bank deposits and international reserves.</li> <li>• Adopt fiscal measures to reduce the budget deficit to well below the 3 percent of GDP necessary for euro adoption.</li> <li>• Take steps to resolve state-owned banks, restore confidence in the banking system, and support private debt restructuring.</li> <li>• Implement income policies and structural reforms to help rebuild competitiveness under the fixed exchange rate regime.</li> </ul>	In addition to financial assistance from the IMF, the program is heavily supported by the EU. A number of European countries also provided substantial financial assistance, which the authorities have treated as precautionary. On completion of the second review in February 2010, the arrangement was extended to December 22, 2011. The fourth review of the program was completed in May 2011. ( <a href="http://www.imf.org/external/country/LVA/index.htm">www.imf.org/external/country/LVA/index.htm</a> )
Romania	\$17.1 billion (€12.9 billion) Stand-by Arrangement, May 2009, 24 months	<ul style="list-style-type: none"> <li>• Cushion the effects of the sharp drop in private capital inflows while implementing policy measures to address the external and fiscal imbalances and to strengthen the financial sector.</li> <li>• Strengthen fiscal policy to reduce the government's financing needs and improve long-term fiscal sustainability.</li> <li>• Maintain adequate capitalization of banks and liquidity in domestic financial markets.</li> <li>• Bring inflation within the central bank's target.</li> </ul>	Sizable financial support is also received from the EU. The seventh and final review was completed in March 2011. The authorities treated the associated tranche as precautionary.

Note: The main authors of this appendix are Lone Christiansen and Phakawa Jeasakul.

<sup>59</sup> On August 31, 2011, IMF staff level agreement was reached on an 18-month precautionary Stand-by Arrangement in the amount of SDR 935 million (€1 billion) with Serbia. With approval by the IMF Executive Board pending, the arrangement is not listed in this table.

<sup>60</sup> Conversions from SDR to USD and EUR are done at the exchange rate prevailing at the time of program approval.

## Appendix (continued)

Country	IMF Loan Size, Approval Date, Duration <sup>60</sup>	Key Objectives and Policy Actions	Additional Information
	\$4.9 billion (€3.5 billion) Stand-by Arrangement, March 2011, 24 months	<ul style="list-style-type: none"> <li>• Designed as a precautionary arrangement.</li> <li>• Focus on promoting growth and employment and maintaining financial and macroeconomic stability.</li> </ul>	<p>With the program having successfully ensured macroeconomic and financial stability under very difficult circumstances, the expiring SBA was replaced by a new 24-month precautionary SBA in the amount of \$4.9 billion. The EU is also providing funds on a precautionary basis under the new program.</p> <p>The first review was completed in June 2011. In the context of the second review, an IMF staff team said in August 2011 that the program remains on track. IMF Executive Board discussion is scheduled for September 2011. (<a href="http://www.imf.org/external/country/ROU/index.htm">www.imf.org/external/country/ROU/index.htm</a>)</p>
Poland	\$20.6 billion Flexible Credit Line, May 2009, 12 months	The Flexible Credit Line (FCL) is an instrument established for IMF member countries with very strong fundamentals, policies, and track records of implementation. Access to the FCL is not conditional on further performance criteria.	The arrangement for Poland, which has been kept precautionary, has helped stabilize financial conditions there, boost confidence, and support continued access to market financing. ( <a href="http://www.imf.org/external/country/POL/index.htm">www.imf.org/external/country/POL/index.htm</a> )
	\$20.4 billion Flexible Credit Line, July 2010, 12 months	July 2010 FCL serves as a successor arrangement to May 2009 FCL.	
	\$30 billion Flexible Credit Line, January 2011, 24 months	July 2010 FCL was cancelled and replaced by a new 2-year FCL arrangement approved in January 2011.	
Bosnia and Herzegovina	\$1.6 billion Stand-by Arrangement, July 2009, 36 months	<p>Safeguarding the currency board arrangement by a determined implementation of fiscal, income, and financial sector policies:</p> <ul style="list-style-type: none"> <li>• Reducing the structural fiscal balance mainly through public wage restraint and savings on nontargeted social transfers, thus bringing public finances on a sustainable medium-term path.</li> <li>• Reforming the system of benefits, public administration, and the budget process.</li> <li>• Supporting adequate liquidity and capitalization of banks.</li> </ul>	<p>The second and third reviews were completed in October 2010. Completion of further reviews has been hindered by the delay in government formation following the October 2010 general elections. Meanwhile, performance under the program remains uneven. While economic developments have been broadly in line with the program scenario, progress on structural reforms has been slow. (<a href="http://www.imf.org/external/country/BIH/index.htm">www.imf.org/external/country/BIH/index.htm</a>)</p>
Moldova	\$0.6 billion Extended Credit Facility and Extended Fund Facility, January 2010, 36 months	<ul style="list-style-type: none"> <li>• Reverse the structural fiscal deterioration that occurred in 2008–09 while safeguarding funds for public investment and priority social spending.</li> <li>• Keep inflation under control while rebuilding foreign reserves to cushion the economy from external shocks.</li> <li>• Ensure financial stability by enabling early detection of problems and strengthening the framework for bank rehabilitation and resolution.</li> <li>• Raise the economy's potential through structural reforms.</li> <li>• To promote poverty reduction, the program sets a floor on priority social spending. Moreover, social assistance spending has been increased substantially to support vulnerable households, while its targeting is being improved.</li> </ul>	The third review was completed in July 2011. ( <a href="http://www.imf.org/external/country/MDA/index.htm">www.imf.org/external/country/MDA/index.htm</a> )

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Kosovo	\$140 million Stand-by Arrangement, July 2010, 18 months  Staff Monitored Program, June 2011, until end-2011	<p>Achieving fiscal stabilization, while accommodating large infrastructure investments, and safeguarding financial sector stability:</p> <ul style="list-style-type: none"> <li>• Limit the overall budget deficits in 2010 to 3.4 percent of GDP by raising select excise taxes and by restraining current primary spending.</li> <li>• Bolster the government's bank balances held with the Central Bank of Kosovo (CBK) to provide scope for emergency liquidity assistance (ELA), and provide the CBK with a mandate for ELA, and further strengthen the banking system.</li> <li>• Improve the financial position of the energy sector to limit its costs to the budget.</li> </ul> <p>• Create a track record of sound fiscal management that could pave the way to a program endorsed by the IMF Executive Board in 2012.</p> <p>• Take important steps toward restoring fiscal sustainability by:</p> <ul style="list-style-type: none"> <li>• Implementing a fiscal adjustment of ¾ percent of GDP in 2011 by increasing excise taxes and restraining current spending, notably the wage bill.</li> <li>• Adopting a 2012 budget containing another ¾ percent of GDP of fiscal adjustment, partly from the wage bill.</li> <li>• Strengthen budget planning and execution, including by assessing the fiscal impact of envisaged benefits and pensions to ensure fiscal sustainability.</li> </ul>	<p>Kosovo became the 186th member of the IMF on June 29, 2009.</p> <p>The March 2011 mission found that the review under the SBA could not be concluded due to disagreement on the draft budget for 2011.</p> <p>The Staff Monitored Program is an informal agreement with IMF staff to monitor the implementation of the authorities' economic program. It does not entail endorsement by the IMF Executive Board and does not involve financial assistance by the IMF. (<a href="http://www.imf.org/external/country/UVK/index.htm">www.imf.org/external/country/UVK/index.htm</a>)</p>
Greece	\$39 billion (€30 billion) Stand-by Arrangement, May 2010, 36 months	<ul style="list-style-type: none"> <li>• Restoring confidence and fiscal sustainability: substantial front-loaded fiscal effort reinforced by fiscal institutional reforms to bolster confidence, regain market access, and put the debt-to-GDP ratio on a declining path.</li> <li>• Restoring competitiveness and growth: nominal wage and benefit cuts and structural reforms to reduce costs and improve price competitiveness. An ambitious privatization agenda to boost investment and growth, which will also help reduce public debt.</li> <li>• Safeguarding financial sector stability: establishment of a Financial Stability Fund (FSF) to deal with possible solvency pressures; extension of government banking liquidity support facilities and ECB's nonstandard monetary policy measures.</li> </ul>	<p>IMF financial assistance of €30 billion is in parallel with bilateral financial support of €80 billion available from euro area partners. The total amount of €110 billion over three years will cover the expected public financing gap during the program's period.</p> <p>The fourth review was completed in July 2011. On July 21, 2011, the leaders of the 17 euro area countries agreed to provide an estimated €109 billion in fresh financing to Greece. Together with voluntary private sector contributions and continued IMF support, it would close a financing gap in Greece's budget, which had emerged as the original timetable for the return of the Greek sovereign to capital markets slipped. The second financing package is currently being finalized. (<a href="http://www.imf.org/external/country/GRC/index.htm">www.imf.org/external/country/GRC/index.htm</a>)</p>
Ireland	\$30.1 billion (€22.5 billion) Extended Fund Facility, December 2010, 36 months	<p>Put the economy on a path of sustainable growth, sound public finances, and job creation:</p> <ul style="list-style-type: none"> <li>• Restore the health of the banking sector by reorganizing and deleveraging the domestic banks, and strengthening their capital base.</li> <li>• Implement a sizable fiscal adjustment to bring the deficit below 3 percent of GDP by 2015.</li> <li>• Enhance competitiveness and support growth through structural reforms.</li> </ul>	<p>IMF financial assistance of €22.5 billion forms part of the substantial financial package amounting to €85 billion, of which the remaining funds comprise support from European partners and from Ireland's own contributions.</p> <p>The third review was completed in September 2011. On completion of the review, IMF staff commended the Irish authorities' continued resolute implementation of their program and strong fiscal consolidation performance. They welcomed recent improvements in financial market conditions for Ireland and noted that implementation of the financial sector strategy is advancing ahead of schedule in some areas. (<a href="http://www.imf.org/external/country/IRL/index.htm">www.imf.org/external/country/IRL/index.htm</a>)</p>

## Appendix (concluded)

Country	IMF Loan Size, Approval Date Duration <sup>2</sup>	Key Objectives and Policy Actions	Additional Information
Macedonia	\$640 million Precautionary Credit Line, January 2011, 24 months	The Precautionary Credit Line (PCL) is a new IMF instrument established in the context of enhancing its lending tools to help provide effective crisis prevention. This is the first IMF commitment under PCL. The access to the credit line in the first year is up to \$533 million.	In March 2011, Macedonia purchased SDR 197 million (about \$310 million) under the PCL. The first review under the PCL was completed in September 2011. ( <a href="http://www.imf.org/external/country/MKD/index.htm">www.imf.org/external/country/MKD/index.htm</a> )
Portugal	\$37.8 billion (€26 billion) Extended Fund Facility, May 2011, 36 months	<ul style="list-style-type: none"> <li>• Enhancing growth: structural reforms to increase competition, reduce labor costs, and boost employment and productivity.</li> <li>• Restoring confidence and fiscal sustainability: ambitious and credible fiscal consolidation plan, supported by structural fiscal reforms to streamline the functioning of the public sector and reduce fiscal risks.</li> <li>• Safeguarding financial stability: increase in the capital positions of banks supported, as needed, by a fully funded capital backstop facility; safeguards to support adequate banking system liquidity and for strengthening the supervisory and regulatory framework.</li> </ul>	IMF financial assistance of €26 billion forms part of a financial package amounting to €78 billion over three years, of which the remaining funds comprise support from European partners. An IMF staff team visited Portugal in August 2011 for the first review and stated that the program is on track. The IMF Executive Board discussion is scheduled for September 2011. ( <a href="http://www.imf.org/external/country/PRT/index.htm">www.imf.org/external/country/PRT/index.htm</a> )