



INTERNATIONAL MONETARY FUND FACTSHEET

IMF Stand-By Arrangement

*In an economic crisis, countries often need financing to help them overcome their balance of payments problems. Since its creation in June 1952, the IMF's Stand-By Arrangement (SBA) has been used time and again by member countries, it is **the IMF's workhorse lending instrument** for emerging and advanced market countries. The SBA was **upgraded** in 2009 along with the Fund's broader toolkit to be more flexible and responsive to member countries' needs. Conditions were streamlined and simplified, and more funds were made available up front, as borrowing limits were doubled in response to the global financial crisis. These limits were increased further in 2016. The new framework also enables broader high-access borrowing on a precautionary basis.*

Lending tailored to member countries' needs

The SBA framework allows the Fund to respond quickly to countries' external financing needs, and to support policies designed to help them emerge from crisis and restore sustainable growth.

Eligibility. All member countries facing external financing needs are eligible for SBAs subject to IMF policies. However, **SBAs are more often used by middle income** (and, more recently, advanced) member countries, since **low-income countries have a range of concessional instruments** tailored to their needs.

Duration. The length of a SBA is flexible, and typically covers a period of **12–24 months, but no more than 36 months**, consistent with **addressing short-term balance of payments problems**.

Borrowing terms. Access to IMF financial resources under SBAs is guided by a member country's need for financing, capacity to repay, and track record with use of IMF resources. Within these guidelines, the SBA provides flexibility in terms of amount and timing of the loan to help meet the needs of borrowing countries. These include:

- **Normal access.** Following implementation of the 14th Review quotas in early 2016, borrowing limits were increased to give countries access of up to 145 percent of new **quota** for any 12-month period, and cumulative access over the life of the program of up to 435 percent of new quota, net of repayments.
- **Exceptional access.** **The IMF can lend amounts above normal limits on a case-by-case basis under its Exceptional Access policy, which entails enhanced scrutiny by the Fund's Executive Board.** During the current global economic crisis, countries facing acute financing needs have been able to tap exceptional access SBAs.
- **Front-loaded access.** The new SBA framework provides increased flexibility to front-load funds when warranted by the strength of the country's policies and the nature of its financing needs.
- **Rapid access.** Fund support under the SBA can be accelerated under the Fund's **Emergency Financing Mechanism**, which enables rapid approval of IMF lending. This mechanism was utilized in several instances during the global financial crisis.

Precautionary access. The new SBA framework has expanded the range of high access precautionary arrangements (HAPAs), a type of insurance facility against very large potential financing needs. Precautionary arrangements are used when countries do not intend to draw on approved amounts, but retain the option to do so should they need it.

Fewer conditions, focus on objectives

When a country borrows from the IMF, it agrees to adjust its economic policies to overcome the problems that led it to seek funding in the first place. These commitments, including specific conditionality, are described in the member country's letter of intent (which often includes memorandum of economic and financial policies).

Building on earlier efforts, the IMF has further reformed the conditions of its lending to focus on criteria that are measurable and observable:

Quantitative conditions. Member countries' progress is monitored using quantitative program targets (quantitative performance criteria and indicative targets). Fund disbursements are conditional on the observance of quantitative performance criteria, unless the Executive Board decides to waive them. Examples include targets for international reserves and government deficits or borrowing, consistent with program goals.

Structural measures. The new SBA framework has eliminated structural performance criteria. Instead, progress in implementing structural measures that are critical to achieving the objectives of the program are assessed in a holistic way, including via benchmarks in key policy areas, in the context of program reviews.

Frequency of reviews. Regular reviews by the IMF's Executive Board play a critical role in assessing performance under the program and allowing the program to adapt to economic developments. The SBA framework allows flexibility in the frequency of reviews based on the strength of the country's policies and the nature of its financing needs.

Lending terms

Repayment. Repayment of borrowed resources under the SBA are due within 3¼-5 years of disbursement, which means each disbursement is repaid in eight equal quarterly installments beginning 3¼ years after the date of each disbursement.

Lending rate. The lending rate comprises (1) the market-determined Special Drawing Rights (SDR) interest rate—which has a minimum floor of 5 basis points—and a margin (currently 100 basis points), together known as the basic rate of charge, and (2) surcharges, which depend on the amount and time that credit is outstanding. A surcharge of 200 basis points is paid on the amount of credit outstanding above 187.5 percent of quota. If credit remains above 187.5 percent of quota after three years, this surcharge rises to 300 basis points. These surcharges are designed to discourage large and prolonged use of IMF resources.

Commitment fee. Resources committed under all SBAs are subject to a commitment fee levied at the beginning of each 12-month period on amounts that could be drawn in the period (15 basis points for committed amounts up to 115 percent of quota, 30 basis points on committed amounts above 115 percent and up to 575 percent of quota and 60 basis points on amounts exceeding 575 percent of quota). These fees are refunded *pro rata* if the amounts are drawn during the course of the relevant period. As a result, if the country borrows the entire amount committed under an SBA, the commitment fee is fully refunded. However, no refund is made under a precautionary SBA under which countries do not draw.

Service charge. A service charge of 50 basis points is applied on each amount drawn.