

IMF POLICIES AND PROCEDURES THAT FACILITATED LENDING ABOVE NORMAL ACCESS LEVELS, 1977-97

In 1977, the Fund adopted a decision (Decision No. 5509-777/127) under which it could approve supplementary financing for a member making use of Fund resources in the upper credit tranches. To proceed, the Fund needed to be satisfied that the member's: (i) financing need exceeded the amounts available in the four credit tranches; (ii) problem required a relatively long period of adjustment and longer maximum repurchase period than the 3–5 years provided under credit tranche policies; and (iii) program would be adequate for resolving its problem and be compatible with the Fund's policies on the use of Fund resources.

In 1979, the Fund established the Supplementary Financing Facility (SFF) under which the Fund could supplement financing provided to a member under an existing Fund arrangement. (The SFF was ended in 1984.) With parallel financing under the SFF, a member's cumulative access to Fund resources access could exceed 450 percent of quota. The overall limit was determined through a complex calculation of the sum of several overlapping limits on individual facilities and arrangements, taking into account the member's outstanding obligations. The SFF provided for access above normal limits in "special circumstances," which established what would become the exceptional circumstances clause in 1983.

In 1981, the Fund approved a policy on enlarged access for the use of Fund resources, under which it was able to provide assistance to members facing external payments imbalances that were large in relation to their quota. In 1992, the policy was discontinued (Boughton, 2001).

In 1983, the Fund formalized the "exceptional circumstances" clause in its lending framework. The clause allowed the Board to approve members' access to Fund resources in excess of normal access (NA) limits in "exceptional circumstances."

In 1995, following a recommendation by the G7 at its Halifax Summit, the IMF established an Emergency Financing Mechanism (EFM). The EFM entailed exceptional procedures to help provide members in crisis situations with faster access to IMF arrangements with strong conditionality and larger upfront disbursements. There was no necessary link, however, between exceptional *procedures*, on the one hand, and the need for supplementary *financing* on the other. But the EFM reflected a recognition that the Fund's response to emergencies may need both size and speed (IMF, 1995).

In December 1997, the Fund approved the Supplemental Reserve Facility (SRF). The SRF was created to supplement Fund financial assistance to members with existing programs that faced "exceptional BOP 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." The SRF had no limit on access. It was to be made available when there was a reasonable expectation that the implementation of strong adjustment policies and adequate financing would result in a correction of BOP difficulties within a relatively short period. As with the SFF, lending under the SRF was supplemental to the SBA and EFF. The SRF was terminated in 2009.