THE ROLE OF THE INTERNATIONAL MONETARY FUND IN PROMOTING GLOBAL ECONOMIC STABILITY

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Abstract: *This paper presents the role that the International Monetary Fund performs in promoting global economic stability. Global economic and financial stability plays a key role in the financial system and the economy as a whole. The increase in the importance of the concept of financial stability by supervisors at both European and global level was concretized by defining a framework for the operationalization of macroprudential policy, together with the establishment of coordination bodies in this field, thus recognizing its role in the mix of established economic policies such as monetary, fiscal or competitive policy.*

Key words*:* economic stability; finance; supervision; financial assistance; development.

JEL Classification Codes: F33, F34, F63.

1. INTRODUCTION

Global economic and financial stability plays a key role in the financial system and in the economy as a whole. The increase in the importance of the concept of financial stability by supervisors at both European and global level has been materialized by defining a framework for the operation of a macro-prudential policy, together with the establishment of coordination bodies in this field, thus acknowledged its role in the mix of established economic policies such as monetary, fiscal or competitive policy.

Discussed from several perspectives, the theme proves to be of significant importance.

The International Monetary Fund has its origins in the economic recession of the 1930s. During those years, the countries were under the pressure of the gold share that had been reintroduced after the First World War, with exchange rates that turned out to be unrealistic. World states have taken steps to curb the economic collapse by increasing restrictions on imports, devaluing the national currency in order to compete on export markets, and also taking protectionist measures to protect their national industry. As a result of these actions, between 1929 and 1932 the trade collapsed, the value of world trade decreasing by over 60%. Numerous international monetary conferences have agreed to restore order and resume the economic process, but all ended by failing due to lack of co-operation.

In the early 1940s, during the Second World War, two original thinkers, Harry Dexter White, a US Treasury official and John Maynard Keynes economist in the UK, designed almost simultaneously plans for a new monetary system which would strengthen exchange rates and propel free trade. This is how the IMF was set up.

The International Monetary Fund is the most important international co-operation body in the foreign-financial field, which plays a major role in the contemporary world in support of countries facing economic difficulties, ensuring balance of payments, and which, for that end, proposes (Floricel, 2005):

- *fostering the harmonious development of world trade;*
- *establishing a multilateral system for regulating current transactions;*
- *improving trade stability;*
- *making available to the Member States, for a limited period of time, financial resources to deal with shortcomings.*

As a specialized body, which is part of the United Nations system, the International Monetary Fund performs an important role in the economic and financial life of the world. This role has a double look. On the one hand, although the IMF is not a development finance body, it indirectly contributes to development, through the credits it provides, to cover the temporary balances of payments of all member countries, including developing countries. On the other hand, IMF funding for a country is an indisputable indication for commercial banks that they can also provide new loans to these countries with no foreseeable risks. Regarding the role of this body, Member States have opinions that do not always match. Developed countries, with some exceptions, consider that the IMF is not a funding body like any other, but a "one to which they call last resort", to which countries can only appeal when they can not source funds from another source required for current payments. (Dumitrescu, 1993).

2. MATERIALS AND METHODS

The research was accomplished from a double perspective, in which the conceptual methodological approach is correlated to a variety of references to practical actions aiming the activity of the International Monetary Fund in maintaining and increasing economic stability, based on the current knowledge in the field.

The results expressed in this paper were the result of qualitative analysis of the characteristics and the evolution of the International Monetary Fund activity in promoting economic stabilty in the world, esspecially in the developing countries.

3. IMF AND THE ECONOMIC STABILITY

Instability can impede economic growth, so, promoting economic stability is partly a matter of avoiding economic and financial crises and the challenge for policymakers is to minimize internal and external instability so that the living standards not to be affected. Economic and financial stability is both a national and a multilateral concern because the vulnerabilities spread easier across countries.

Which is the IMF role? It helps member states to implement and appropriate policies through its key functions:

A. Consultation with Member States

The International Monetary Fund provides advice to member countries on economic and financial policies that promote stability, reduce vulnerability to crises, and fosters sustained growth and high standards of living. It also monitors the global economic trends and developments affecting the health of the international monetary and financial system and promotes cooperation between Member States on the consequences of their regional and global policies. In addition to these surveillance activities, IMF provides technical assistance to help strengthen the institutional capacity of members and provide them with the necessary resources to adjust their balance of payments in the event of a crisis. Promoting global economic stability consists of avoiding economic and financial crises, high inflation, high fluctuations in economic activity, and excessive volatility in foreign and financial markets. Instability can increase uncertainty, discourage investment, hinder economic growth and affect living standards. (Goldstein, 2008)

IMF helps Member States to implement robust and adequate policies through its core supervisory, technical assistance and lending functions. Each country adhering to IMF must accept the obligation to subject its economic and financial policy to the control of the international community. IMF mandate is to oversee the international monetary system, monitor the economic and financial situation, and the developments and policies of the member countries. The Fund assesses whether domestic policies promote the country's own stability by examining the risks that it may bring to internal stability and the balance of payments and proposes alternatives when country policies promote internal stability but could negatively affect overall stability.

IMF monitors the economies of members through regular, usually annual, consultations with each Member State. During these consultations, Fund staff discuss economic and financial developments and policies together with representatives of the private sector of labor and trade unions, academia and civil society. The staff analyzes risks and vulnerabilities, taking into account the impact of fiscal, monetary, financial and foreign exchange policies on internal stability, and assesses the implications for global stability. IMF provides advice on policies to promote the macroeconomic, financial and balance of payments stability of each Member State based on the experience of its members.

The framework for these consultations is set out in the IMF Articles of Agreement and in the Integrated Surveillance Decision. Consultations are also carried out through community-wide initiatives including:

- The Financial Sector Assessment Program, which assesses the financial sectors of countries and contributes to formulating policy responses to risks and vulnerabilities;
- The Standards and Codes Initiative where the IMF, together with the World Bank and other bodies, assesses country compliance with internationally recognized standards and codes of good practice in a variety of policy areas.

B. IMF surveillance role

A central responsibility of IMF is the suveillance of the international monetary system and the monitoring of the economic and financial policies of the member countries. As part of this process, which takes place globally, regionally and nationally, IMF identifies the potential risks to stability and recommends appropriate adjustment of the policies needed to support economic growth and promote financial and economic stability. Vigilant monitoring by the Fund is essential for identifying the risks of stability and growth that may require adjustments to remedial policies. Furthermore, international cooperation on these efforts is critical in today's integrated global economy, where a country's problems or policies can affect many other states. (Bran, 1993)

IMF closely monitors global and regional trends. The Fund's periodic reports, the World Economic Outlook, regional presentations, the Fiscal Monitor and the Global Financial Stability Report analyze global and regional macroeconomic and financial developments. Particularities of IMF gives it uniqueness, being appropriate to facilitate multilateral discussions on issues of common interest of member countries and to promote stability.

The Fund revised its oversight mandate in the context of the global crisis and worked with the Group of 20 advanced and emerging economies to analyze the coherence of countries' political bodies with a balanced and sustained growth for the global economy. It introduced a series of reforms to improve the surveillance of the financial sector of the Member States and facilitate the interconnections between macroeconomic and financial developments and stimulate debate on these themes. Likewise, IMF has strengthened its analysis of structural macro-critical reforms to help countries promote sustainable and inclusive growth.

The IMF reviews surveillance and monitoring activities every three years. The 2014 Triennial Surveillance Review highlighted the progress made in addressing deficiencies in pre-crisis oversight, but it also found that significant gaps remain. In particular, the monitoring activities of the Fund have proved to be too fragmented, deep-hazard assessments and with a sufficient emphasis on interconnections and the transmission of shocks. The review recommended improvements in key areas: interconnection, risk assessment, external stability, financial stability and legal framework.

As part of its comprehensive efforts to improve surveillance, in July 2015, the Executive Committee adopted the Integrated Surveillance Decision to strengthen the legal framework for monitoring. In September 2015, the Council approved a Financial Supervision Strategy that proposed concrete measures to strengthen IMF monitoring activities.

These actions help to ensure that the IMF is in a position to address the issues of membership policy in terms of global stability, to more closely monitor the members' external sectors, to better involve members in a global, constructive dialogue to better protect the functioning of the international monetary system and to support global economic and financial stability.

In recent years, the IMF has taken major initiatives to strengthen its surveillance to respond to a globalized and interconnected world. These initiatives include reconsideration of the legal framework for supervision, deepening of risk and spreads analysis, strengthening financial systemic supervision of systemic risk, stepping up evaluations of external members' positions and responding more quickly to the concerns of membership.

The global crisis has highlighted the need for a deeper analysis of the links between economies and sectors, which the IMF now offers through several means:

- Individual country surveillance as well as multilateral surveillance reports, such as the International Financial Stability Report and the different regional economic prospects of the IMF, have deepened their analysis of interconnections and disseminations. Reports are also occasionally prepared on the common problems faced by country groups (eg trade, capital flows, macro-prudential policies and unconventional monetary policies).
- The IMF is based on the analysis of cross-border risks and spreads in international fora, such as the G20 and the Financial Stability Board, to promote policies that support global sustainable growth and financial stability.
- The IMF increases risk assessments so that potential problems can be identified and appropriate policy responses develop more effectively. The IMF conducts a half-year early warning exercise to identify and assess the low probability but with high impact risks to the global economy. It also conducts specific exercises to assess vulnerabilities and emerging risks in advanced, emerging and low-income individual countries.

Macro-financial surveillance

The Fund has increased its focus on financial sector issues in its multilateral and bilateral oversight. This involves the systematic exploration of macro-financial ties to understand the financial sector's contribution to growth, the two-way relationship between financial and economic stability and the role of the financial sector in the overall policy mix. Since 2017, the Fund has made significant progress in integrating macro-financial analysis into Article IV Surveillance. Building on past work to improve financial sector analysis, Fund staff sought to develop a consistent and forward-looking vision of how the financial sector affects each member's economic prospects in order to strengthen policy advice. Lessons learned from incorporating this oversight perspective in 66 economies have laid the foundations for progressive integration of macro-financial supervision. Fund oversight also actively supports members' efforts to incorporate a macro-prudential perspective in financial policy making, including the use of macro-prudential tools that contain systemic vulnerabilities. Another important ongoing initiative is the Financial Sector Assessment Program (FSAP). Under this program, comprehensive financial stability assessments are carried out every five years for economies with systemically important financial sectors and, less frequently, for other economies. The FSAP analysis is followed by consultations under Article IV. The last review of this program was finalized in September 2014.

Surveillance of external stability

The assessment of external stability and external imbalances remains an essential component of the mandate of the IMF, as external imbalances can have a significant impact on the functioning of the global economy.

In July 2016, the Fund published its Fourth External Relations Report (ESR) covering the largest economies in the world. The report contains a consistent multilateral valuation of external balances, currencies and members' policies. The analysis extends the oversight of the external sector by systematically assessing exchange rates, current accounts, balance sheet positions, reserve adequacy and capital flow measures. The ESR is based on the external balance assessment methodology introduced in 2012 to assess current accounts and exchange rates in a multilateral way.

Macro-structural policies surveillance

Macro-structural policies are an important complement to macroeconomic policies in promoting sustainable job growth and global economic and financial stability. The IMF has taken steps to strengthen its analysis of the structural and social aspects that are essential to the health of an economy (such as unemployment and inequality) and, where appropriate, provide advice integrating structural reforms into a wider macroeconomic framework. For his advice to have the biggest impact, the IMF is trying to provide a strong economic analysis, sincere and tailored advice to the country's circumstances and clear messages. Major IMF findings and political messages are published twice a year in the Global Policy Agenda of the General Manager. Other initiatives to improve IMF supervision focus on early consultations with the country's authorities on relevant policy issues.

C. IMF's role in capacity development

The Institute for Capacity Development (ICD) of the IMF was set up in 1964 to provide training in the economic management of officials from the member countries of the Fund.

The IMF's Capability Development (CD) activity is part of its core mandate, following global economic developments and loans to countries that are experiencing balance of payments difficulties. It involves establishing economic institutions (technical assistance) and developing their capacities (training) to help governments create effective policies and institutions. Fund capacity building efforts help countries to consolidate their economies, improve inclusive growth and create jobs. Also, the work of the IMF focuses on building effective policies and institutions and strengthening human capabilities. This includes helping countries generate public revenues, modernize banking systems, develop strong legal frameworks, increase reporting of macroeconomic and financial statistics, and improve economic analyzes and forecasts. The IMF collaborates with governmental institutions such as finance ministries and central banks through hands-on consultancy, mutual learning workshops and policy-oriented training. Fund support is provided to countries in different ways, including through the term missions short staff of the IMF headquarters, long-term placements of resident counselors, regional capacity-building centers and global thematic funds. Bilateral and multilateral partners play a vital role in meeting the financing demand of the IMF and are currently funding about half of its efforts.

All IMF members benefit from the capacity development, with efforts from the Fund being initiated by Member States. Building human and institutional capacity in a country helps the government implement more effective policies that lead to better economic performance. In

2016, low-income developing countries received about half of all Fund technical advice, compared with about 40% for middle-income countries that received the largest share of policy-oriented training.

The efforts of the IMF's capacity development focus on the following areas of competence:

- Tax policy focused on advising governments on how to obtain revenue and managing spending effectively, including customs policy, budgeting, public financial management, internal and external debt, and social security networks. This allows governments to deliver modern public services such as schools, roads and hospitals;
- Monetary and financial sector policies aiming to work with central banks to modernize their financial systems, such as exchange rates, inflation and debt policy and their banking supervision. Under these conditions, the country's financial stability improves, fueling domestic growth and international trade;
- Legal frameworks through which countries can align their governance frameworks with international standards so that they can develop effective tax and financial reforms, fight corruption and combat money laundering and terrorism;
- Statistics based on supporting countries in managing and reporting macroeconomic and financial data. They provide a clear picture of their economy and contribute to better informed policies. In addition, IMF offers a wide range of training courses, including about macroeconomic links, monetary and fiscal policy, balance of payments difficulties, markets and financial institutions, and statistical and legal frameworks.

The Fund provides technical assistance and training to officials in the Member States to help countries build strong institutions and enhance their skills to formulate and implement sound macroeconomic and financial policies. Capacity development is closely linked to IMF supervision, being appreciated by Member States.

In response to the Member States' request and with the strong support of foreign partners, the technical assistance and training activities of the IMF have expanded rapidly in recent years. The Fund continued to promote capacity building to steadily increase institutional and policy-making capacities in member countries, particularly those with low and fragile revenues. Thus, capacity development accounted for over a quarter of the Fund's administrative expenditure in 2016, most of these expenses were spent on technical assistance, which accounted for 23%, while training accounted for 5%.

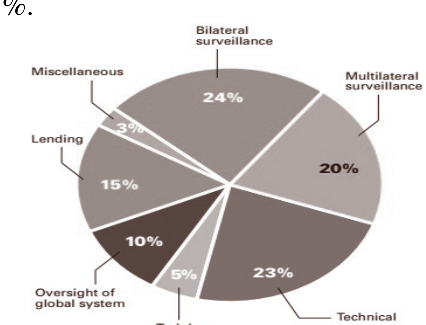

Figure 1. The percent of the IMF main activities in 2016

Source: IMF Annual Report, 2016, p. 75.

According to the Annual report, IMF capacity developing activities continued to grow in 2016, mainly reflecting greater delivery to the Middle East and Central Asia as well as Sub-Saharan Africa. Providing technical assistance in monetary, financial and fiscal areas has increased. Total direct spending on capacity development activities amounted to $ 256 million in 2016, compared to $ 242 million in 1015, a 6% increase. The externally funded component constituted USD 127 million, or 49% of the total, registering an increase of about 8% in 2016.

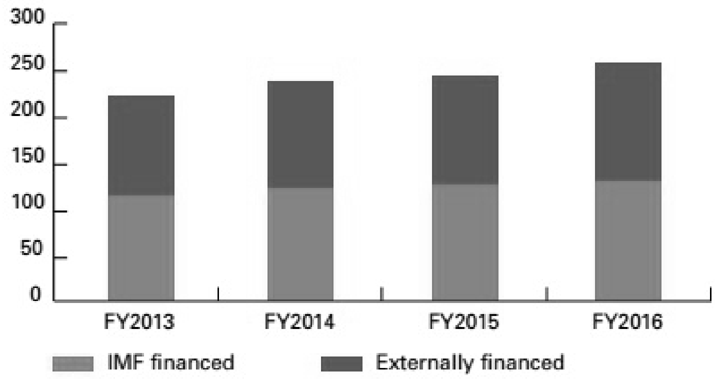

Figure 2. Capacity develpoment expends
Source: IMF Annual Report, 2016, p. 75.

Almost half of the International Monetary Fund's technical assistance has continued to turn to low-income developing countries.

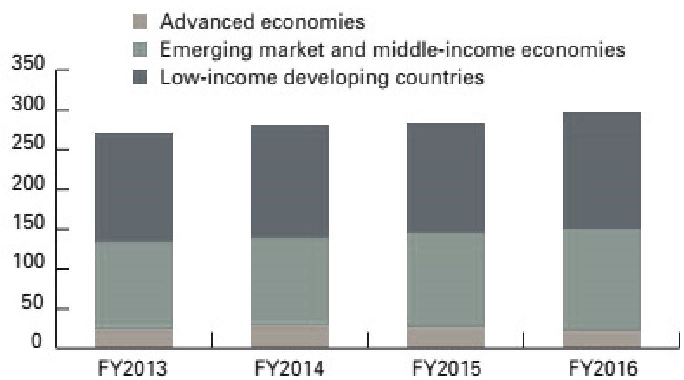

Figure 3. Technical assistance by groups of income
Source: IMF Annual Report, 2016, p. 76.

Technical assistance in the monetary and financial fields continued to evolve, reflecting the changing needs of the global financial system, increasingly interconnected and complex. New areas of IMF expertise, including risk-based oversight, macro-prudential policies, were added, while work continued in specific areas such as financial regulation and supervision, crisis prevention and management, foreign exchange policies and commercial bank operations.

Tax issues continued to account for about half of the IMF's technical assistance. Technical assistance requests for legal issues continued to focus on combating money laundering, financial and fiscal legislation, insolvency and property rights enforcement.

Member States require high-quality macroeconomic statistics as the basis for their economic decisions. The Fund's Statistics Department provides technical assistance and member training, focusing on low-income economies.

Over the past 5 years, capacity development has increased by over 70%, with funding from bilateral and multilateral partners. Currently, training courses include important topics such as balance sheets, real estate price indices and cross-border position statistics, in addition to the standard rates for macroeconomic statistics.

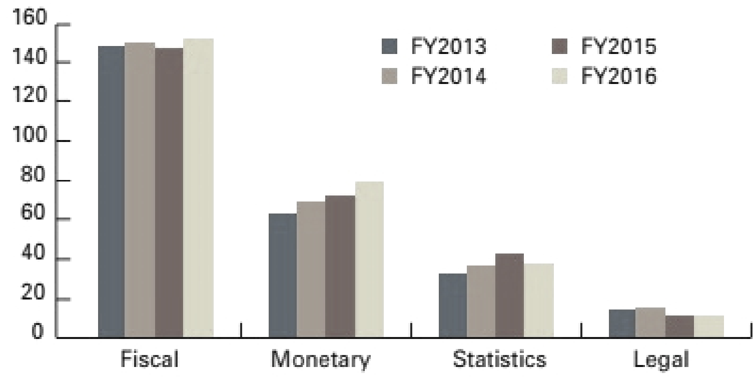

Figure 4. Technical assistance by fields
Source: IMF Annual Report, 2016, p. 80.

D. IMF financial assistance

Granting loans to member countries experiencing real or potential balance of payments problems is another defining responsibility of the International Monetary Fund. Through financial assistance, countries rebuild their international reserves, stabilize their currencies and continue to pay for imports, restoring the conditions for strong economic growth, while taking policies to address the underlying problems.

According to the Ministery of Exteranl Affaires, the volume of loans provided by the IMF fluctuated significantly over time. The oil shock of the 1970s and the debt crisis of the 1980s were followed by strong increases in loans granted by the Fund. During the 1990s, the transition process in Central and Eastern Europe and crises in emerging economies led to further increases in demand for the IMF resources Deep crises in Latin America and Turkey maintained the demand for Fund resources in the early 2000s. Loans rose again at the end of 2008 as a result of the global financial crisis. Unlike development banks, the Fund does not provide loans for specific projects.

At the request of a Member State, IMF resources are usually made available under a "loan agreement" which, depending on the borrowing instrument used, may specify the policies and economic measures that a country has agreed to implement to solve the balance of payments difficulty. The economic policy program underlying an arrangement is formulated by the country in consultation with the IMF and is in most cases submitted to the Fund's Executive Committee in a "Letter of Intent". Once an agreement is approved by the Council, Fund resources are usually released in tranches as the program is implemented. Some arrangements give countries with very strong performance unique access to the resources of the IMF and are therefore not subject to clear political understandings.

Even the best economic policies can not completely eradicate instability or avoid crises. If a member country is faced with a balance of payments deficit, the IMF may provide financial assistance to support policies that will correct macroeconomic problems and limit the disruption of the domestic and global economy by contributing to the restoration of confidence, stability and economic growth, as well as preventive credit lines to states with robust economic bases to prevent crises.

The different IMF loan instruments are tailored to different types of balance of payments (current, prospective or potential short- or medium-term) needs, as well as the specific circumstances of its diversity of members. Low-income countries can borrow on concessional terms through available facilities, poverty reduction and economic growth.

Non-concessional loans

The IMF's non-concessional loan instruments are: Stand-by Arrangements (SBA), Flexible Credit Line (FCL), Precautionary and Liquidity Line (PLL).

For medium-term needs, the Extended Funding Fund (EFF) and Emergency Assistance for Members Facing Emerging Balance of Payments needs, the Rapid Financing Facility (FFI). All non-concessional facilities are subject to market-related interest rates, known as the "payment rate", and large credits (beyond certain limits) have an extra cost. The levy rate is based on the SDR interest rate, which is revised weekly to take account of changes in short-term interest rates on major international money markets. The maximum amount a country can borrow from the IMF, known as the access limit, varies depending on the type of loan, but it is usually a multiple of the IMF's share of the country. This limit can be exceeded in exceptional circumstances. The stand-by arrangement, flexible credit line and extended funding fund have no default access threshold.

a) Stand-by Agreements (SBA)

When faced with an economic crisis, countries often need funding to help them overcome their balance of payments problems.

The IMF stand-by arrangement was founded in 1942 as a lending tool for emerging and advanced countries. The framework of this agreement allows the Fund to respond quickly to the external financing needs of countries and to support policies designed to help them overcome the financial crisis and restore sustainable growth. All member countries facing external financing needs are eligible for stand-by arrangements, however, this funding instrument is most often used by middle-income countries, as low-income countries have a wide variety of concessional tools tailored to their needs.

Concerning the duration of a stand-by arrangement, this is flexible and usually covers 12-24 months, but not more than 36 months, in line with resolving short-term balance of payments difficulties, and reimbursement of borrowed resources is due within 3¼-5 years of payment.

Access to the IMF's financial resources under stand-by arrangements is determined by the need for Member State financing, reimbursement capacity and evidence of the use of Fund resources. Under these guidelines, the agreement provides flexibility in terms of the amount and the exigibility of the loan to meet the borrowing countries' needs.

b) Flexible credit line (FCL)

The Flexible Credit Line (FCL) was designed to meet the demand for loans for crisis prevention and crisis mitigation for countries with very strong political frameworks. This instrument was created as part of the process of reforming how the IMF provides financial assistance to countries in a liquidity crisis in order to adapt their lending instruments to the different needs and circumstances of member countries. So far, three countries, Colombia, Mexico and Poland, have used FCL.

A key objective of the loan reform was to reduce the perceived stigma of IMF loans and encourage countries to seek assistance before they face a full crisis. Countries with very strong economic fundamentals and policy records may apply for the Flexible Credit Line when faced with potential or actual balances of payments. *The flexibility offered by FCL can meet a wide range of needs of a country:*

- Qualified countries have the flexibility to resort to the credit line at any time in a predefined period or to treat them as a precautionary tool;
- The flexible credit line ensures qualified countries with increased access to IMF resources without ongoing conditions, given the strength of policy makers;

- Works as a renewable credit line, which could initially be one or two years, with a review of the qualification after the first year. If a country decides to use the credit line, repayment will take place over a period of 3¼ to 5 years;
- There is no limit to accessing IMF resources, and the need for resources is assessed on a case-by-case basis.

The criteria used to assess a country's qualification for an FCL agreement are:

- A sustainable external position;
- A capital account position dominated by private flows;
- A steady record of sovereign access to international capital markets on favorable terms;
- Sound public policies, including a sustainable public debt position;
- Low and stable inflation, in the context of a solid monetary policy and foreign exchange policy framework;
- The sound financial system and the absence of solvency problems that could threaten systemic stability;
- Effective control of the financial sector;
- Integrity and transparency of data.
- Integritatea și transparența datelor.

c) The Precautionary and Liquidity (PLL)

The global financial crisis has highlighted the need for effective global financial security programs to help countries deal with adverse shocks. An essential objective of the recent loan reforms has been to complement the IMF's overall crisis management role with more effective crisis prevention tools. The Precautionary and Liquidity Line (PLL) has been designed to respond flexibly to Member States' liquidity requirements with solid economic fundamentals but with limited vulnerabilities that prevent them from using the Flexible Credit Line (FCL). So far, two countries, the former Yugoslav Republic of Macedonia and Morocco, have used the line of caution and liquidity.

The line of caution and liquidity provides funding to respond to current or potential balance of payments needs of countries with solid policies and is designed to help resolve crises in widespread situations. PLL combines a qualifying process with a focused conditionality aimed at solving the moderate vulnerabilities remaining identified during the qualification. Its qualification requirements signal the force of the principles and policies of the qualified countries, thus contributing to strengthening market confidence in the country's policy plans.

PLL agreements may last for six months or one to two years. The six-month period is available for countries with real or potential short-term balance-of-payments needs that can make credible progress in addressing their vulnerabilities over the six-month period. Up to 125% of a Member's quota may normally be available after the approval of a six-month PLL. However, if a country's balance of payments needs results from an exogenous shock, including increased regional or global stress, access could be higher. The renewal of six-month PLL arrangements is normally only possible after a period of two years from the date of the approval of the PLL agreement of six months previously.

d) Extended funding fund (EFF)

When a country is facing serious medium-term balance of payments problems due to structural weaknesses that take time to address, the IMF can assist with the adjustment process under an extended Funding Facility (EFF). Compared to assistance under the Stand-by Arrangement, assistance under an extended agreement involves a longer commitment of the program to help countries implement medium-term structural reforms and a longer reimbursement period.

Given that structural reforms to correct deep-rooted deficiencies often require time to implement and deliver results, the commitment under the Extended Fund and its reimbursement period is longer than most of the Fund's arrangements.

When a country borrows from the IMF, it undertakes to undertake policies to overcome its economic and structural problems. Under the Extended Fund, these commitments, including specific conditionality, are expected to focus heavily on structural reforms to tackle institutional or economic weaknesses, in addition to policies that maintain macroeconomic stability. The performance of the program is regularly evaluated by the IMF Executive Committee, which also allows the program to adapt to economic developments. The EFF has flexibility in the frequency of revisions based on the strength of the country's policies and the nature of its funding needs.

As in the case of Stand-by Arrangements, the size of the extended Funding Loan is guided by the country's financing needs, reimbursement capacity, and the history of IMF resource use.

e) Rapid financing tool (RFI)

The Rapid Financing Facility (RFI) provides fast financial assistance to all member countries facing an urgent need for a balance of payments. It was created as part of a wider reform to make IMF financial support more flexible to meet the different needs of member countries. This tool has replaced the IMF's Emergency Assistance Policy and can be used in a wide range of circumstances.

Financial assistance under RFI is provided as direct purchases without the need for a complete program or reviews. A member country requesting RFI assistance must cooperate with the IMF to work towards resolving its balance of payments difficulties and to describe the general economic policies it proposes to pursue. The financial assistance provided under this instrument is subject to the same financing conditions as the flexible credit line, the precautionary and liquidity line and the stand-by arrangement, and has a repayment term of 3¼ to 5 years.

If we refer to this type of loans their evolution in the period 2007-2016 are presented in the following figure:

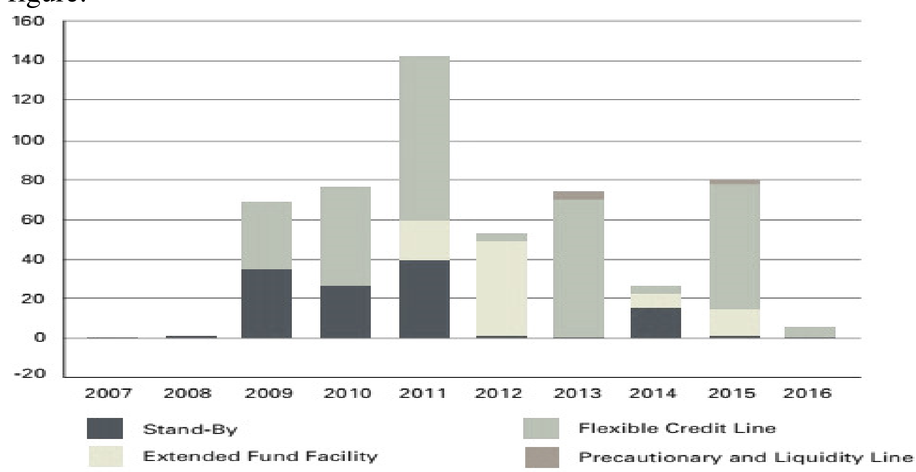

Figure 3. Loans approved in the General Resources Account (April) (Billions of SDRs)

Source: IMF Annual Report, 2016, p. 64.

<u>Concessional loans</u>

a) Extended credit facility (ECF)

The expanded credit facility provides financial assistance to countries experiencing prolonged balance of payments problems. The purpose of this loan is to support countries' economic programs designed to achieve a stable and sustainable macroeconomic position. The financial assistance granted under this loan has an initial duration of 3-4 years, with a maximum duration of 5 years. Access to funding through this facility varies according to each case, taking into account the balance of payments countries' needs, the strength of its economic program, the amount of credit granted and the reimbursement capacity. Credit conditions are extremely concessional, with the extended credit facility financing with an o interest rate, with a grace period of 5½ years and a final maturity of 10 years.

b) Pending Credit Facility (PCF)

The pending credit facility provides financial assistance to low-income countries with short-term balance-of-payments needs. It supports the country's economic program aimed at restoring a sustainable macroeconomic position in line with strong growth and poverty reduction. The duration of such a loan may range from 12 to 24 months, as it is designed to meet short-term, episodic needs. A Member State that needs a potential but not immediate balance sheet can treat access to this facility as a precautionary measure, in which case no payments will be made. However, countries retain and accumulate their rights to claim payments under the agreement if a need for funding arises at a later stage. The pending credit facility has a grace period of 4 years and a final maturity of 8 years.

c) Rapid Credit Facility (RCF)

The Rapid Credit Facility provides fast, concessional financial assistance, on a limited basis, to low-income countries experiencing an urgent balance of payments deficit. This facility has been created with the aim of reducing poverty and economic growth as these are its main objectives, so that the Fund's financial support is more flexible and better adapted to the different needs of the Member States, including in times of crisis. The financial assistance under the RCF is provided as a total payment of the loan. Although these payments are often unique, as in the case of a short-term emergency balances deficit, they can be used repeatedly. Repeated use is possible over a 3 year period if the balance of payments deficit is caused by an exogenous shock. However, no more than two payments may be made in any 12-month period. Funding under the RCF has an 0 interest rat, a grace period of 5 years and a final maturity of 10 years. The evolution of the concessional loans in the past 10 years is presented in the following figure:

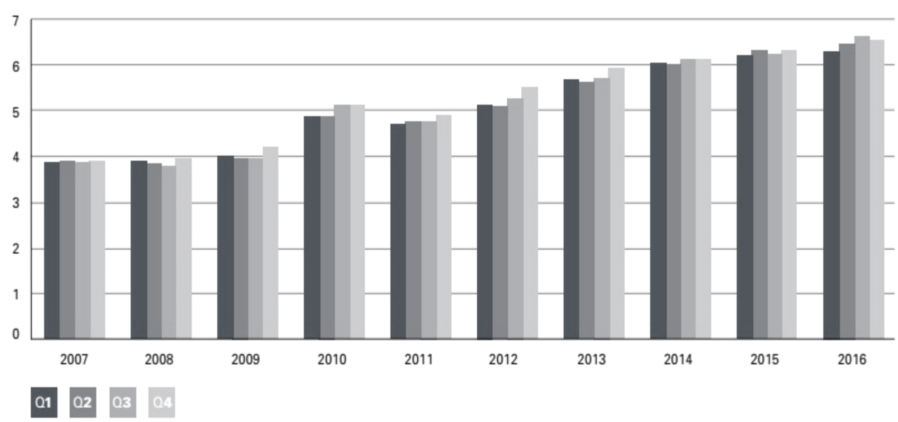

Figure 4. The evolution of the concessional loans (bullion SDR)

Source: IMF Annual Report, 2016, p. 71.

New Arrangements to Borrow (NWB)

NAB represents a set of credit arrangements between the IMF and 38 Member States and is used in situations where the IMF needs to supplement its quota resources for loan purposes.

Table no. 1. Participants and the credit arrangements amounts

Participants	Amounts (SDR million)	Participants	Amounts (SDR million)
Australia	2,220.45	Japan	33,508.50
Austria	1,818.49	Korea	3,344.82
Belgium	3,994.33	Kuwait	341.29
Brazil	4,440.91	Luxemburg	493.12
Canada	3,873.71	Mexico	2,537.66
China	15,860.38	New Zeeland	340.00
Cyprus	340.00	Norway	1,966.69
Finland	1,133.88	Spain	3,405.14
France	9,479.16	USA	28.202.47
India	4,440.91	Greece	840.60
Italy	6,868.52	Ireland	957.97
TOTAL 182,371.15			

General Agreements to Borrow (GAB)

GAB allows the Fund to borrow certain amounts of currencies from 11 advanced countries (or central banks) under certain circumstances. This type of loan can only be used when a proposal to use NAB is rejected by its participants.

The GAB was set up in 1962 and developed in 1983.

Table no. 2. GAB Participants and the credit amounts

PARTICIPANTS	Original GAB (1962-1983) (SDR million)	Developed GAB (1983-2017) (SDR million)
Belgium	143	595
Canada	165	893
France	395	1,700
Italy	235	1,105
Japan	1,161	2,125
Holland	244	850
Great Britain	565	1,700
USA	1,883	4,250
Saudi Arabia		1500
TOTAL	**6,344**	**17,000**

4. CONCLUSIONS

The conclusion that can be drawn is that since the collapse of the Bretton Woods system, a multitude of lending facilities have been promoted. The financing instruments created departed from the Fund's initial task of protecting the movement of assets and capital against fluctuation of the exchange rate, the maximum theoretically available credit for member countries increased to 480% of the participation quota.

The advantages of countries that contract loans to the IMF are significant:

- The first advantage is the interest rate charged by IMF;
- The second advantage lies in the fact that the granting of a loan by the Fund is considered by the international financial market as a confirmation of the country's creditworthiness, which is equivalent to attracting new loans from this market.

In addition to these advantages, it should be noted that the IMF adjustment programs have their own costs. For this reason, the programs agreed with the Fund are often criticized, especially when they have a negative impact on the poor.

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