9 The new lending instruments of the International Monetary Fund

Introduction

In the past, the lending activity of the IMF used to address mainly the current financial needs of its member states. Since the outbreak of the global financial and economic crisis in 2008 the potential financial needs started to be equally important. The IMF assigned an especially important role to its new preventive measures, including the Flexible Credit Line (FCL) and the Precautionary Credit Line (PCL), later transformed into the Precautionary and Liquidity Line (PLL).[1]

The aim of this paper is to present the nature of the new lending instruments, the demand they required and their role in the beneficiary economies. In the first part of the paper, we discuss the specificity of the instruments,[2] in the second part we present the agreements concluded in the years 2009–2015 related to those instruments, and in the third part

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[1] Cf. P. Gąsiorowski, M. Grotte, D. Frankiewicz, A. Życieńska, A. Walasik, *Dostosowania instrumentarium, zasad działania i zasobów Międzynarodowego Funduszu Walutowego w reakcji na światowy kryzys finansowy i gospodarczy*, Materiały i Studia NBP No. 285, Warszawa 2013, p. 36 and subsequent pages.

[2] In this paper we present the most important new lending instruments introduced by the IMF in response to the global financial and economic crisis. However, it is worth noting that in the reform of its instruments in the years 2010–2011 the IMF also modified other lending instruments, including those used in emergencies such as natural disasters or military conflicts. The Fund also made some changes in the lending instruments for the poorest countries in the Poverty Reduction and Growth Trust (cf. T. Reichmann, C. de Resende, *The IMF's Lending Toolkit and the Global Financial Crisis,* International Monetary Fund, Washington 2014, p. 12 and subsequent pages).

we discuss the FCL and PLL as supplements to the reserves of the beneficiary states.

1. The specificity of the new lending instruments

The IMF introduced the FCL in March 2009. This new lending instrument was meant to help the member states that implemented policies approved by the IMF. The evaluation included the *ex-ante* conditionality (opposite to the traditional *ex-post* conditionality). In the qualification procedure, countries applying for the access to the FCL were evaluated based on nine criteria:[3]

a) a sustainable external position;
b) a capital account position dominated by private flows;
c) a track record of steady sovereign access to international capital markets at favorable terms;
d) when the arrangement is requested on a precautionary basis, a reserve position which – notwithstanding potential BOP pressures that justify Fund assistance – remains relatively comfortable,
e) sound public finances, including a sustainable public debt position;
f) low and stable inflation, in the context of a sound monetary and exchange rate policy framework;
g) sound financial system and the absence of solvency problems that may threaten systemic stability;
h) effective financial sector supervision;
i) data integrity and transparency.

The IMF requirements for the access to the Precautionary Credit Line were less stringent. Introduced in 2010, PCL was replaced by a more universal Precautionary and Liquidity Credit (PLL) Line in November 2011. Now the PLL could address the potential (as in the PCL) but also the current need of financing the balance of payments. Generally, the criteria of access were the same but the evaluation of the potential beneficiaries

[3] Cf. *Flexible Credit Line – Operation Guidance Note*, International Monetary Fund, Washington, June 2015, p. 18.

was less stringent. The aforementioned nine qualification criteria were limited to five qualification areas:[4]

1. External Position and Market Access, taking into account the following criteria:

a) sustainable external position,

b) a capital account position dominated by private flows,

c) a track record of steady sovereign access to international capital markets at favorable terms,

d) a reserve position that is relatively comfortable when the arrangement is requested on a precautionary basis.

2. Fiscal Policy – analysis concerned the criterion e): sound public finance, including a sustainable public debt position determined by a rigorous and systemic debt sustainability analysis.

3. Monetary Policy corresponding to criterion f), i.e. low and stable inflation, in the context of a sound monetary and exchange rate policy.

4. Financial Sector Soundness and Supervision, also including criteria such as:

g) sound financial system and the absence of solvency problems that may threaten systemic stability,

h) effective financial sector supervision.

5. Data Adequacy, i.e. criterion i): data transparency and integrity.

In the qualification procedure for the PLL, the Fund allowed for some moderate results in one or even two areas, but it also expected improvements. The PLL qualification procedure was subject to *ex-ante* conditionality but also subject to the *ex-post* half-year evaluation of the remaining moderate vulnerabilities identified during qualification.

The new lending instrument – especially the FCL – functioned according to the upfront access principle, which meant that the entire allocated amount was fully accessible for a country at the moment of signing the agreement. Then the country alone could take the decision to withdraw the funds or not, and that withdrawal could take place as a whole (not in installments). The country was the sole administrator of the

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[4] Cf. *Precautionary and Liquidity Line – Operation Guidance Note*, International Monetary Fund, Washington, June 2015, pp. 17–18.

resources within the agreed time frame. The FCL was usually granted for 12–24 months. However, the Fund reviewed the economy after a year to confirm that the required conditions are still fulfilled.

The PLL was designed as the PLL Standard Window and PLL Short-Term Liquidity Window.[5] The former was available for a period of 12–24 months, but with semi-annual reviews of the state of the economy. The PLL Short-Term Liquidity Window was provided for short-term tensions in the balance of payments, and so it was meant to be available only for 6 months and was not subject to reviews.

The new lending instruments differed from classic instruments in that they had generally higher limits of available financial resources. At the same time, those amounts did depend on the contribution to the IMF. FCL agreements in the initial period amounted to the equivalent of 1,000% of the quota. Since 2011, IMF members would get access to funds higher than 1,000% of the quota, as the IMF individually made decisions about the amount of the credit line. The *PLL* Standard Window had a limit of 500% of the individual contribution for the first 12 months and a total of 1,000% for the entire arrangement. The upper limit for the PLL Short-Term Liquidity Window was established at 250%, and in special occasions at 500%.

5. The demand for the new lending instruments among the IMF member states

The members of the International Monetary Fund became interested in the FCL in the first months after it was introduced. This was connected with the deepening destabilization of the world economy after the collapse of Lehman Brothers in mid-September 2008. The symptoms of the crisis included the collapse of liquidity in international financial markets and falling demand for assets in developing countries and depreciations of currencies.[6] On one hand, the interest in FCL was associated with

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[5] Cf. *Precautionary and Liquidity Line – Operational Guidance Note*, International Monetary Fund, Washington, May 2012, pp. 2–3.

[6] More on this issue in S. Hagan, S. Tiwari, A. Tweedie, *The Review of the Flexible Credit Line, the Precautionary and Liquidity Line, and the Rapid Financing*

the threat of foreign debt growth, and on the other hand – with the fears of limited access to external financing. This particularly concerned the emerging markets, including Mexico, Poland and Colombia, which applied for the Flexible Credit Line as early as 2009. In the case of the Latin American economies, risk resulted from their heavy dependence on global demand for raw materials and the slump in commodity prices on international markets in late 2008 and early 2009. It seems that the interest in the Flexible Credit Line was also associated with the negative experiences of some members – the debt crisis in Poland in the 1980s or the repeated crises in Mexico in the 1990s.

Given the above, in April 2009, Mexico concluded an agreement with the IMF on the access to the FCL of SDR 31,528 million. In May of the same year, two more countries signed agreements with the IMF: Poland, for SDR 13,690 million, and Colombia for SDR 6,966 million. After the first year, i.e. the end of April 2010, the total value of all open credit lines amounted to SDR 52,184 million. This represented 46.4% of total funding made available by the IMF to its member countries at the end of April 2010.[7]

In the following years the three countries prolonged their access to the Flexible Credit Line due to the persisting external threats, especially chronic slowdown in the euro zone and in the emerging markets. At the same time the beneficiary countries used the possibility to increase funds (more than 1,000% of the membership quota – cf. the data in Table 1):

1. In January 2011 Mexico increased its line to SDR 47,292 million, i.e. 1,500% of the membership quota, for the period of 24 months. At the same time, in March 2011 the country increased its share in the IMF, which automatically resulted in a relative decrease in the line to 1,304%

Instrument – Supplementary Information, International Monetary Fund, Washington, January 2014.

[7] This was calculated by comparing the value of the FCLs granted to three countries with the value of all arrangements in effect as of 30 April 2010 based on *Financial Operations and Transactions. Annual Report 2014*, Appendix Table II.2. Arrangements in effect as of April 30, 2005–14, www.imf.org/external/pubs/ft/ar/2014/eng/pdf/a2.pdf (accessed 4.08.2015).

of the membership contribution. In the subsequent years, Mexico extended the contract twice.

2. Also in January 2011, Poland increased the line to SDR 19,166 million, i.e. 1,400% of the membership quota, but in March the ratio dropped to 1,135% (due to the increased membership contribution). In 2013 Poland signed the fourth agreement, reduced to SDR 22,000 million (1303%). The latest (current loan agreement concluded in January 2015) amounts to SDR 15,500 million.

Colombia was a country with the lowest FCL (also in relation to its contribution). In May 2011, it received access to SDR 3,870 million (500%) and then it extended the access two times (every two years).

As a result, the total amount of funds made available to those member states in the FCL increased almost 2.5 times during the years 2009–2015. This indicates a growing demand for this preventive lending instrument.

The second new tool of the IMF was the Precautionary Credit Line, granted to Macedonia in 2011–2013 at the amount of SDR 413.40 million. It is worth noting that the country was the only one that used the available funds in the line. In March 2011, Macedonia withdrew SDR 197 million, due to the difficult situation on the financial market related to unexpected parliamentary elections as well as the difficulties regarding the issue of government bonds.

To date, the Precautionary and Liquidity Line (PLL, replacing the previous Precautionary Credit Line) has been granted only to one country – Morocco. It received the PLL Standard Window as a preventive measure.[8] The first agreement was concluded in August 2012 for two years (SDR 4,117.4 million) and then in July 2014 for SDR 3,235.1 million.

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[8] *IMF Executive Board Concludes First Review of the Precautionary and Liquidity Line for Morocco,* IMF Press Release No. 15/39, 6 February 2015, www.imf.org/external/np/sec/pr/2015/pr1539.htm (accessed 4.08.2015).

Table 1
Access to the new lending instruments of the IMF

Countries	Date of agreement	Date of expiry or end of agreement	Amount (in SDR million)	The granted line as the % of membership contribution to the IMF	Withdrawn amount (in SDR million)
Flexible Credit Line					
Mexico	17.04.2009	24.03.2010	31,528	1,000	0
	25.03.2010	09.01.2011	31,528	1,000	0
	10.01.2011	29.11.2012	47,292	1,500 since 24 March 2011: 1,304	0
	30.11.2012	25.11.2014	47,292	1,304	0
	26.11.2014	25.11.2016	47,292	1,304	0
Poland	06.05.2009	05.05.2010	13,690	1,000	0
	02.07.2010	20.01.2011	13,690	1,000	0
	21.01.2011	17.01.2013	19,166	1,400 since 18.03.2011 r.: 1,135	0
	18.01.2013	13.01.2015	22,000	1,303	0
	14.01.2015	13.01.2017	15,500	918	0
Colombia	11.05.2009	06.05.2010	6,966	900	0
	07.05.2010	05.05.2011	2,322	300	0
	06.05.2011	05.05.2013	3,870	500	0
	16.06.2013	23.06.2015	3,870	500	0
	17.06.2015	16.06.2017	3,870	500	0
Precautionary Credit Line					
Macedonia	19.01.2011	18.01.02013	413.4	600	197
Precautionary and Liquidity Line					
Morocco	3.08.2012	27.07.2014	4,117.40	700	0
	28.07.2014	27.07.2016	3,235.10	550	0

Source: own compilation based: *Mexico: Financial Position in the Fund as of May 31, 2015*, www.imf.org/external/np/fin/tad/exfin2.aspx?memberKey1=670&date1key=2015-07-07 (accessed 6.07.2015); *Poland, Republic of: Financial Position in the Fund as of May 31, 2015*, www.imf.org/external/np/fin/tad/exfin2.aspx?memberKey1=805&date1key=2015-07-07 (accessed 6.07.2015); *Colombia: Financial Position in the Fund as of May 31, 2015*, www.imf.org/external/np/fin/tad/exfin2.aspx?memberKey1=190&date1key=2015-07-28 (accessed 27.07.2015); *Macedonia, former Yugoslav Republic of: Financial Position in the Fund as of May 31, 2015*, www.imf.org/external/np/fin/tad/exfin2.aspx?memberKey1=618&date1key=2015-07-08 (accessed 6.07.2015); *Morocco: Financial Position in the Fund as of May 31, 2015*, www.imf.org/external/np/fin/tad/exfin2.aspx?memberKey1=680&date1key=2015-07-08 (accessed 6.07.2015).

Currently, there are four beneficiaries of the new lending instruments: Mexico, Poland, Colombia and Morocco. The total value of the allocated funds in 2014 amounted to about SDR 77 billion. This represented 52% of all loans by the IMF to member states, which demonstrates the significant role of these instruments in the lending activities of the IMF.[9]

Interestingly, only a small group of countries took advantage of that opportunity. This may have been related to several issues. First of all, strict qualifying conditions restricted access to those lending instruments, narrowing the target group. In addition, during this period the states preferred to protect themselves by accumulating their reserves.[10] The FCL and PLL could only play the role of a supplement to the official reserve assets.

6. The role of the new IMF instruments in complementing official reserve assets of the member countries

The funds allocated under the FCL and the PLL have not been used by the beneficiary countries. This meant that the states actually did not borrow and therefore the funds could not be included in their official reserve assets. However, due to the full availability of funds it is justified to treat them as a sort of supplement to foreign exchange reserves.

Table 2 presents the foreign exchange reserves of individual countries in relation to import, foreign debt and the current account balance. These indices include the value of the new lending instruments available to individual countries.

First we present the foreign exchange reserves of Mexico, Poland and Colombia in relation to the monthly imports in the years 2009–2014. In accordance with the view accepted by researchers worldwide, this

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[9] This was calculated by comparing the value of the FCLs granted to three countries and the PLL to one country with the value of all arrangements in effect as of 30 April 201 based on *Financial Operations and Transactions*...

[10] Cf. T. Reichmann, C. de Resende, *op.cit.*, p. 20.

indicator should be in the range of 3 to 6.[11] Two countries, Poland and Mexico, fell within those limits. In Poland, the reserve fund allowed the import of goods and services for 5.3–5.6 months, in Mexico for 4.4–5.3 months, while in Colombia the reserves exceeded the threshold, covering 6.0–7.5 months imports of goods and services.

Table 2

Official reserve assets (ORA) and Flexible Credit Line (FCL) in relation to selected macroeconomic variables in Mexico, Poland and Colombia in 2009–2014*

Countries	2009	2010	2011	2012	2013	2014	2009	2010	2011	2012	2013	2014
	the ratio of ORA to imports (in months)						the ratio of ORA + FCL to imports (in months)					
Mexico	4.6	4.4	4.5	4.8	5.1	5.3	6.8	6.2	6.9	7.0	7.2	7.2
Poland	5.3	5.3	4.7	5.6	5.3	4.7	6.7	6.6	6.3	7.1	7.1	6.3
Colombia	7.5	7.0	6.0	6.4	7.3	7.4	10.8	7.9	7.2	7.4	8.4	8.3
	the ratio of ORA to the sum of the short-term foreign debt and current account deficit (in percent)						the ratio of ORA + FCL to the sum of the short-term foreign debt and current account deficit (in percent)					
Mexico	262.0	193.0	180.1	147.2	127.8	NA	389.8	270.1	273.5	213.6	180.0	NA
Poland	87.3	85.5	93.9	117.6	124.2	130.7	111.5	105.5	124.5	150.9	164.8	175.9
Colombia	285.9	167.6	154.7	168.5	176.1	NA	409.8	189.0	184.7	195.9	200.3	NA

* At the end of each year.
NA = not available.

Source: own compilation on the basis of *International Financial Statistics*, http://elibrary-data.imf.org (accessed 6.07.2015); *External Debt Stocks, Short-Term*, http://databank.worldbank.org (accessed 6.07.2015); *Balance of Payments Statistics*, http://elibrary-data.imf.org (accessed 6.07.2015); *IMF Exchange Rates*, www.imf.org/external/np/fin/data (accessed 6.07.2015). Additionally, in relation to 2014, the data for Poland are based on *Poland's Balance of Payments for the Fourth Quarter of 2014*, National Bank of Poland, Warsaw 2015.

[11] Cf. W. Michalczyk, *Rola rezerw dewizowych w polskiej polityce walutowej*, in: *Wyzwania gospodarki globalnej*, Prace i Materiały Instytutu Handlu Zagranicznego Uniwersytetu Gdańskiego nr 31, Gdańsk 2012, p. 402.

Worse was the adequacy of foreign exchange reserves based on the ratio of reserves to short-term external debt including the deficit on the current account. Over the entire analyzed period, the safety threshold (required to be above 100%) was observed only by two countries, namely Mexico and Colombia. However, their ratios were characterized by a decreasing trend. In Mexico, the ratio recorded a decrease of 262% in 2009 to 127.8% in 2013, and in Colombia from 285.9% to 176.1%. By contrast, in Poland the index reached safe levels as late as 2012 (previously lower than 100%), and in the next years it showed a rising trend (to 130.7% in 2014), although still lower than in Colombia and Mexico.

This research shows that the aforementioned countries had foreign exchange reserves at a relatively safe level. However, our analysis assumed the commonly accepted reference values, which are arbitrary and may not reflect the specific characteristics of individual economies.[12] In the case of an abrupt deterioration in international financial markets, their reserves may prove to be too small to be able to service foreign liabilities, especially given that the safety level (measured by the ratio of foreign exchange reserves to total short-term foreign debt and the deficit on the current account) in Poland was not very high while in Mexico it was decreasing.

However, the situation underwent significant improvement after taking into account the FCL as a kind of supplement to foreign exchange reserves. In recent years, the ratio of the Colombian foreign exchange reserves including the FCL to monthly imports increased to 7.2–8.4; in Mexico to 6.2–7.2, and in Poland to 6.3–7.1. With regard to short-term foreign debt and the deficit on the current account the ratio reached a nearly 2-times greater level in Mexico and Colombia than the reference value (180% and 200.3% in 2013, respectively), and lowest level observed in Poland was still high (175.9 % in 2014).

In the case of the PLL, this analysis was limited to one country and the years 2012–2013. During that period, the official reserve assets of Morocco

[12] Cf. R. Knap, H. Nakonieczna-Kisiel, *Rezerwy dewizowe Polski na tle Unii Europejskiej*, Zeszyty Naukowe Uniwersytetu Szczecińskiego nr 756, Finanse, Rynki Finansowe, Ubezpieczenia nr 57, Szczecin 2013.

in relation to its monthly imports of goods and services remained within the range of 4.2–4.6. After taking into account the short-term foreign debt and the deficit on the current account, the indicator was 119–140%. This means that Morocco's foreign exchange reserves also remained at a safe level. However, similar to the previously discussed countries, only after taking into account the PLL did the reserve assets allow to finance imports for more than 6 months, and nearly doubled the level of short-term foreign debt and the deficit on the current account (cf. data in Table 3).

Table 3

Official reserve assets (ORA) and Precautionary and Liquidity Line (PLL) in relation to selected macroeconomic variables in Morocco in 2012–2013*

Specification		2012	2013
The ratio of ORA	to imports (in months)	4.2	4.6
	to the sum of the short-term foreign debt and current account deficit (in percent)	119	140
The ratio of ORA + PLL	to imports (in months)	5.8	6.2
	to the sum of the short-term foreign debt and current account deficit (in percent)	165	187

* At the end of each year.

Source: own compilation on the basis of *International Financial Statistics*, http://elibrary-data.imf.org (accessed 7.07.2015); *External Debt Stocks, short-term*, http://databank.worldbank.org (accessed 7.07.2015); *Balance of Payments Statistics*, http://elibrary-data.imf.org (accessed 7.07.2015); *IMF Exchange Rates*, www.imf.org/external/np/fin/data (accessed 7.07.2015).

The presented data show that the FCL and PLL constituted an important support for the foreign exchange reserves of the analyzed countries. Therefore, they strengthened their financial stability and thus increased investor confidence. Accordingly, the FCL and PLL may have helped obtain more favorable terms of access to financing. After receiving the access to the lines, the countries recorded different rates of decline in bond yields.[13] Of course the conditions under which government bonds

[13] Cf. S. Hagan, S. Tiwari, A. Tweedie, *op.cit.*, p. 12 and subsequent pages.

are sold and bought depend largely on the creditworthiness of the country which is shaped by many factors. However, access to the FCL or PLL seems to have been advantageous for the beneficiary countries in this regard.

It is worth noting that the access to the FCL and PLL entailed the so-called commitment fees at the beginning of each 12-month period of access. Their levels depended on the available amount in relation to the amount of the membership quota.[14] The fees varied between the countries, and the highest cost throughout the entire period was incurred by Mexico. In 2014 it was the SDR 164.10 million for access to the equivalent of nearly 40% of Mexico's foreign exchange reserves (Table 4). In 2015, the fee was also SDR 164.10 million.[15]

In 2014 Poland paid SDR 76.23 million for access to the FCL, which could increase the country's official reserve assets by more than a third. In 2015 the fee amounted to SDR 41.43 million, due to a reduction in the FCL (by about 30% compared to the previous agreement).[16]

In 2014 Colombia paid SDR 9.29 million for access to the FCL in the amount equivalent to more than 10% of its foreign exchange reserves; the fee was the same in 2015.[17] Morocco had access to the PLL, which in 2014 corresponded to about a quarter of the country's foreign exchange

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[14] With regard to the value of the granted line at a level not exceeding 200% of the membership quota, the commitment fee was 15 basis points. Above that level, but no more than 1,000%, the fee increased to 30 basis points. The value exceeding the equivalent of 1,000% of the contribution, the fee was 60 basis points. The last situation obviously does not concern the Precautionary Liquidity Line, whose upper limit was 1,000%. See *The IMF's Flexible Credit Line*, International Monetary Fund, www.imf.org/external/np/exr/facts/fcl.htm (accessed 28.07.2015); *The IMF's Precautionary and Liquidity Line*, International Monetary Fund, www.imf.org/external/np/exr/facts/pll.htm (accessed 28.07.2015). Accordingly, the fee incurred by Poland in January 2014 (for access to the FCL at SDR 15,500 million, while our contribution to the IMF is SDR 1,688.4 million) was calculated as follows: (0.0015 × 1,688.4 × 2) + (0.003 × 1, 688.4 × 7.18) = SDR 41.44 million. That fee was levied by the Fund upfront of the 12-month long access to the FLC, but in case of the shortening of the period (ending agreement before the maturity date), the Fund refunds the proportional part of the fee.

[15] Own calculations based on *Mexico: Financial Position…*

[16] Own calculations based on *Poland, Republic of: Financial Position…*

[17] Own calculations based on *Colombia: Financial Position…*

reserves. The commitment fee amounted to SDR 6.17 million and stayed the same in 2015.[18]

Table 4
New lending instruments in relation to official reserve assets of countries in 2009–2014* (in percent, ORA = 100)

Countries	2009	2010	2011	2012	2013	2014
FCL to ORA ratio						
Mexico	48.8	40.0	51.8	45.1	40.9	37.6
Poland	27.7	23.5	32.6	28.3	32.6	34.6
Colombia	43.3	12.7	19.5	16.3	13.7	12.7
PLL to ORA ratio						
Morocco	–	–	–	38.5	33.9	25.1

* At the end of each year.

Source: as in Table 3, own evaluation.

The FCL and PLL played a significant role in complementing the official reserve assets of the aforementioned countries. Although this was associated with high commitment fees, the cost of maintaining relatively high reserves – that is if they actually had been increased by the FCL or PLL (from more than 10% to more than 30%, depending on the country) – would also be considerable (for example due to the sterilization of foreign capital inflow).[19] Therefore, the commitment fees of the FCL or PLL could be considered as a cost that was alternative to an increase in foreign exchange reserves of the country. If one of the lines had been used (borrowing of available funds), commitment fee would have been reimbursed by the Fund as the country would have had to pay a lending rate.[20]

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[18] Own calculations based on *Morocco: Financial Position…*

[19] More on this issue in M. Konopczak, *Ocena wpływu zmian poziomu rezerw walutowych na premię za ryzyko kredytowe Polski − wykorzystanie metody roszczeń warunkowych*, "Bank i Kredyt" 2014, nr 45 (5), pp. 471–472.

[20] Including the service charge. More on this issue in *The IMF's Flexible Credit Line…*; *The IMF's Precautionary and Liquidity Line…*

Conclusions

This paper indicates that:

1. The new IMF lending instruments, namely the Flexible Credit Line and the Precautionary and Liquidity Line were a significant support for the preventive credit instruments of the International Monetary Fund. Applying for these instruments required compliance with the relevant criteria (*ex-ante* conditionality) – particularly stringent in the case of the FCL, but then the country received access to the entire amount (principle of upfront access). As a result, it was not a loan in the strict sense, but rather an account at the disposal of the member country.

2. Although the new credit instruments earned some interest from the IMF member states when they were introduced, only 5 countries actually received access. This was due to a qualification procedure which restricted access to those instruments to countries with very strong economic and financial fundamentals. However, the analyzed instruments did play an important role in IMF lending due to their relatively high value.

3. For the beneficiaries of the FLC and PLL, the granted funds constituted an important support for foreign exchange reserves. For example, by increasing the creditworthiness of countries they could help lower the cost of financing the external sources of economic growth. Commitment fees for access to those instruments can be treated as a cost alternative to the increasing of foreign exchange reserves of the country.

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