



national treasury

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National Treasury
REPUBLIC OF SOUTH AFRICA

PRESS RELEASE

SA WELCOMES THE OVERHAUL OF THE IMF LENDING FRAMEWORK

The Minister of Finance Trevor A Manuel, MP welcomes the International Monetary Fund (IMF) Board's approval for a major overhaul of the IMF's lending framework, as announced on March 24, 2009. This new framework establishes a new instrument, the Flexible Credit Line (FCL), for countries with strong economic fundamentals and a good record of fiscal management, policies and policy implementation. This step should be seen as part of the overall reform of the IMF, as the IMF continues to become more sensitive to the needs of many more emergent and developing economies.

The FCL provides for large, upfront financing on a precautionary basis and better tailoring conditionality to countries' varying strengths and circumstances. At a time when the global economy is experiencing the deepest and most widespread crisis in recent history, this facility together with increased lending access limits and simplified terms for borrowing, will enable the IMF to better respond to the various needs of all member countries. This facility will be especially useful for developing countries who have experienced a disproportionately large impact in this current financial crisis, as many have experienced large capital outflows, falling prices for primary commodities, a sharp contraction of exports and declining remittances.

Though South Africa is fortunately not in need of this facility given the robustness of our financial sector, we recognise that this facility will assist many more

countries to deal with the challenges they face, and in the process ensure a more co-ordinated response to the global economic crisis.

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