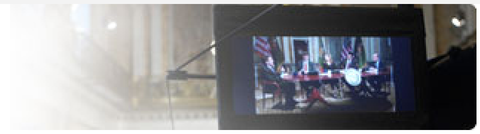

Fact Sheet: IMF Reforms and New Arrangements to Borrow

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WASHINGTON – The U.S. Department of the Treasury today released a letter from the Bretton Woods Committee, which includes the bipartisan support of five former secretaries of the Treasury, four former secretaries of State and America's leading foreign economic policy and national security experts to Speaker Pelosi and Majority Leader Reid expressing their support for the Administration's request for prompt enactment of additional funding for the International Monetary Fund (IMF), including the Obama Administration's request for the IMF's New Arrangements to Borrow (NAB). To view full text of the May 14th letter, click here.

Below is the U.S. Treasury Department's Fact Sheet on IMF Reforms and New Arrangements to Borrow.

FACT SHEET
IMF Reforms and New Arrangements to Borrow

On April 2, at the G-20 Leaders' Summit in London, President Obama secured agreement to increase the IMF New Arrangements to Borrow (NAB) by up to $500 billion, of which the United States committed up to $100 billion.

President Obama is seeking Congressional approval for two actions to strengthen the IMF as part of the FY 2009 supplemental bill currently under consideration – an increase of up to $100 billion for U.S. participation in the NAB, and an increase of about $8 billion in the U.S. quota in the IMF. Fulfilling this U.S. commitment is critical to leveraging significant participation by other countries, restoring a healthy world economy, and preserving the prosperity and security of the United States.

Worst Economic Crisis Since World War II. The world is experiencing the worst economic crisis in the post-World War II period. The global economic crisis is seriously affecting emerging markets and developing countries, which are now experiencing severe economic declines and massive withdrawals of capital. The recovery of the global economy is critical to restoring U.S. exports and jobs.

U.S. Leadership in Crisis Response. The world has looked to the United States to demonstrate strong leadership in finding global solutions to the crisis. The U.S. commitment to lead with a commitment of up to $100 billion for an expanded NAB restores the historic American role in confronting global challenges. In addition, an increase of about $8 billion in the U.S. quota is needed to implement the April 2008 IMF quota reform package which allows the IMF's governance structure to keep pace with the rapid growth and increasing significance of dynamic emerging economies.

IMF as First Line of Defense. A well-equipped IMF is in the national interest. Expanding the NAB will ensure the IMF has adequate resources to play its central role in resolving and preventing the spread of international economic and financial crises. Large and urgent financing needs projected for emerging market and developing countries cannot be met from pre-crisis IMF lending resources ($250 billion, of which about $140 billion already has been committed) **.**

Failure to meet member countries' needs for IMF financing would have significant adverse economic, political and security implications.

- ***Without adequate IMF support, countries may be forced to contract or let their currencies weaken sharply, triggering corporate and financial institution insolvency.*** Such financial instability would not only reduce economic growth and well-being in these countries, but would also negatively impact U.S. exports and jobs.
- ***An expanded NAB enhances international stability and security.*** IMF financing reduces economic instability in vulnerable states. For example, the Fund has been able to act swiftly to avoid crises in countries like Pakistan, and is lending strong support to key U.S. allies including Mexico, Poland and Colombia.
- ***Ensuring adequate IMF resources through an expanded NAB provides immediate benefits in terms of confidence to markets, reducing the need for more costly rescues of crisis countries in the future.*** An adequately funded IMF promotes market confidence that emerging market and developing countries have the financing they need to address the effects of the current crisis.
- ***The NAB provides an insurance policy for the global economy.*** The NAB is a set of credit arrangements that the IMF maintains with 26 countries to obtain supplemental resources temporarily when the IMF's existing resources are substantially drawn down in circumstances that threaten the stability of the international monetary system.

<u>Protecting U.S. Jobs and Exports, and Supports U.S. Economic Recovery</u>. This is a central component of our comprehensive economic strategy to protect American families. Without adequate IMF support, countries may experience financial failures that negatively impact U.S. jobs and exports and undermine the substantial efforts the Administration has taken to stimulate and revive our economy. Equipping the IMF to prevent the financial crisis from spreading will promote global economic recovery, which in turn will benefit the United States.

<u>U.S. Participation Leverages Other Financial Commitments</u>. The U.S. commitment of up to $100 billion could leverage as much as $400 billion from other countries - four times the U.S. share. European partners, Japan, the United States, and other countries together have committed to increase their participation by about $350 billion. The U.S. share of up to $100 billion is necessary to secure significant additional participation by other countries.

<u>Helping the IMF to be Flexible and Respond to Needs of the Poorest</u>. An expansion of the NAB is critical to enable the IMF to carry out recent reforms and to provide the international monetary system with the insurance policy it needs to prevent the crisis from worsening. The IMF is also significantly increasing resources available to the poorest and responding to its members' needs with new instruments, rapid financing, and targeted policy advice.

- *Stepping up its crisis lending*. The IMF has responded quickly to the global economic crisis, with lending commitments reaching a record level of $157 billion, including a doubling of concessional resources to $3 billion a year to the world's poorest nations.
- *Overhauling its lending framework and becoming more flexible*. The IMF has overhauled its general lending framework to provide lending products that are tailored to suit to country needs and have streamlined conditions attached to loans to focus on only conditions that are critical to a resumption of growth. Reforms include the creation of a new Flexible Credit Line (FCL) for strong-performing economies.
- *Creating a financial safety net.* In this difficult environment, the IMF is helping governments to ring-fence social spending on the most vulnerable in society.

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