

## **Regulation on the use of ACF funds for Providing Financial Credits**

### *Summary*

This Regulation, approved by the ACF Council on January 21, 2010, establishes procedures for the issuance of financial credits (FCs) by the EurAsEC Anti-Crisis Fund.

- FC can be extended to a member country only (a sovereign entity). It cannot be extended to a local government or a project company. The FC should meet the objectives of the Fund, i.e. assist member countries in overcoming the consequences of global financial crisis, enhance their long-run economic and financial stability, and foster economic integration between them.
- There are two types of FCs: (a) Stabilization Credits available to low-income countries; and (b) Sovereign Loans available to medium-income countries. World Bank/IDA criteria are used to define “low income”. At this time, ACF’s Stabilization Credits are available only to Kyrgyz Republic and Tajikistan.
- FC is a general-purpose loan provided to support the budget, balance of payments and/or exchange rate of the borrower country. FC can be used by the borrower in accordance with its national law.
- FCs are granted within [country access limits](#) set by the ACF Council on the basis of the country’s GNI per capita. These access limits are revised annually and subsume all forms of ACF lending to a member country.
- An FC can be extended only if a requesting country is current on all its financial obligations vis-à-vis the ACF, its member countries, and other IFIs.
- While making a decision to extend a FC, the ACF Council considers:
  - Ability of the prospective borrower to incur additional debt. The Council takes into account the borrower’s sovereign credit ratings (if any) and the opinions of other IFIs on this;
  - Institutional capacities and the quality of governance of the prospective borrower (also taking into account the assessments of other IFIs).
- FCs are extended in USD and EUR only.
- All FCs are reimbursable and carry interest. No grants are available from the ACF.
- Indicative financial terms for Stabilization Credits are as follows:
  - *Fixed interest rate* of 1-3%, no other fees, charges or commissions;
  - *Repayment terms*: up to 20 years’ maturity, including up to 5 years’ grace;
  - *Co-financing* by the borrower is not required;
  - *Duration* of the reform program supported by the Credit – up to 3 years.
- Indicative financial terms for Sovereign Loans are as follows:
  - *Interest rate* is calculated essentially as weighted average of the cost of Funding of Russia and Kazakhstan in the international markets for the preceding six months; no other fees, charges or commissions;
  - *Repayment terms*: up to 10 years’ maturity, including up to 5 years’ grace;
  - *Co-financing* by the borrower is not required;
- The terms listed above are (a) *indicative*, the ACF Council can change them; and (b) should *meet the requirements set forth for the borrower by other IFIs*
- Minimum size of an FC is US\$10 million
- FCs are extended only in case of budget deficit or balance of payment deficit or other negative consequences of financial crisis for the financial system of the member country.
- FCs are extended only if the Government of a member country has developed an Anti-crisis Program that aims to stabilize the national budget, strengthen the balance of payments, enhance business environment and/or facilitate trade and investment in order to strengthen the macroeconomic position of the borrower country

- The provision of the FC begins when a prospective borrower sends an Application to the ACF Manager. The Anti-crisis Program for which the FC support is sought should be attached to the Application.
- The ACF Council decision on the issuance of a FC is based on the recommendations of the ACF Manager.
- An FC can be extended in one or several tranches. ACF Council's decision on the issuance of every subsequent tranche is guided by the evaluation of program implementation under earlier tranches.
- Once an FC is granted, ACF Manager monitors the course of implementation and the outcomes of the borrower's Anti-crisis Program. ACF Manager may issue recommendations on further policy measures aimed at enhancing the efficiency and fully achieving the objectives of the Program.
- FCs are extended in coordination with other IFIs, bilateral donors and other relevant development partners, and can co-finance operations of other international financial institutions (IFIs) and programs of bilateral cooperation.