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.