

In Surprise Move, Brazil Decides to Pay Off Its US\$ 15 Billion IMF Debt

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Brazil announced its intention to make an early repayment of its entire outstanding obligations to the International Monetary Fund (IMF) amounting to SDR 10.79 billion (about US\$ 15.46 billion).

SDR, or Special Drawing Right is the artificial currency created by the IMF, which is based upon the currency of several countries.

The outstanding obligations of Brazil had been contracted under the Stand-By Arrangement that was approved by the Executive Board on September 6, 2002 and extended and augmented on December 12, 2003.

Mr. Rodrigo de Rato, the Managing Director of the IMF, said, "I very much welcome Brazil's decision to repay its outstanding obligations to the Fund. This decision reflects the growing strength of Brazil's external position, especially continuing substantial trade and current account surpluses and strong capital inflows that have greatly boosted reserves and reduced external debt.

"More fundamentally, the excellent track-record of policy management by the Brazilian authorities has provided the basis for the consolidation of market confidence, the sustained improvement of macroeconomic performance, and an improvement in the profile of domestic as well as external debt.

"The Fund looks forward to continuing a close and constructive relationship with the Brazilian authorities, including in key areas such as public investment," de Rato added.

Total drawings by Brazil under the Stand-By Arrangement were equivalent to SDR 17.20 billion (about US\$ 24.65 billion), out of a total of SDR 27.4 billion (about US\$ 39.23 billion) that were made available. Under the original schedule, the final repayment of outstanding loans from the IMF would have taken place in 2007.

On July 22, 2005, the Brazilian authorities repaid early the outstanding Supplemental Reserve Facility (SRF) obligations to the IMF amounting to SDR 3.42 billion (about US\$ 4.91 billion).

The Executive Board met on December 7, 2005 to consider Brazil's performance since the end of its program, and a summary of that discussion will be issued shortly. The next Article IV consultation is expected to take place in March 2006.

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