

Macedonia gets new credit line from International Monetary Fund

It has been 5 years since the last International Monetary Fund arrangement activation in Macedonia. This month however, the country made a new agreement with the IMF for a credit line of 480 million Euros. The bid was offered last month in Washington where it was agreed that the loan will be used for two years. The final decision on this credit line i.e. loan the Board of IMF will adopt in January.

Macedonia is the first country in the world that uses this new tool called Precautionary Credit Line (PCL), which is designed *to meet the needs of countries that, despite having sound policies and fundamentals, have some remaining vulnerabilities that preclude them from using the Flexible Credit Line (FCL).*

The credit line provides security for the countries exposed to the global economic crisis and in case something undesirably happens, they will be able to attract sufficient funds and to maintain their stability. The credit line agreement assists the country in keeping its reputation among the creditors and enables easier access to funds in capital markets.

What's with the money?

It is important that the spending of this money is planned accordingly, since it is a loan which the tax payers will have to pay back in the future. According to the deputy Prime Minister Stavrevski, the money from the credit line will be designated as a variant reserve in case there are any complications. According to him Macedonia as any other country does not have unlimited amount of cash for a year which could be spend. Therefore Macedonia must carefully adjust its budget deficit, so it could build up the confidence within the IMF.

On the other hand the opposition parties urged the government to act more responsibly when it comes to spending the tax payers' money and not use this loan to cover the current expenses such as wages and pensions.

According to IMF's team the credit line is based on the government's economic program and on the projected 2.5% fiscal deficit of the GDP for next year. According to the head of the IMF delegation Mr. Wes McGrew, if things go as expected, meaning if Macedonia holds the budget deficit under 2.5 percent of the GDP then it will not need to withdraw funds from the approved credit line.

What are the advantages of the credit line?

First this credit line agreement is an argument plus for strengthening the collaboration between Macedonia and the IMF. Macedonia needs IMF for better handling of its macroeconomic policy and for financial support in times when the economic crisis is hitting many European economies. Second, this arrangement sends a sign to the foreign investors that IMF believes in the economic stability of Macedonia, as a country in progress.

It can be concluded that after four years Macedonia is returning back to its former position in relation to the cooperation with the IMF, although now with something new added, the Precautionary Credit Line. This should be further monitored in order to recognize the possible effects of this crediting as well as to indentify the potential benefits Macedonia might have in the future from this and similar programmes.

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